Weekly Capital Market Comments

March 8, 2019

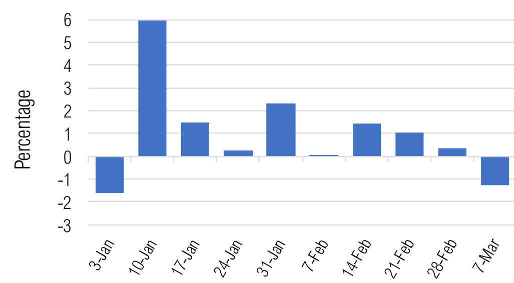
NORTHEAST | SEQUOIA
PRIVATE CLIENT GROUP

Bueller, Bueller…Bueller

Weekly Review

Equities were down over the last five trading days, as the S&P posted only the second weekly loss (Thursday- Thursday) since the beginning of the year. The S&P/Large Caps finished the week down 1.2%, while the Small Cap Russell 2000 was down roughly 3.3%. From a sector perspective, Utilities were the only group in the green while Energy and Real Estate outperformed most sectors, returning (0.3%) and (0.5%), respectively. Lagging sectors included Healthcare and Industrials, each off by 2.4% for the week. Regionally, the UK and China were the best performing markets, while most other emerging markets were flat to down. Bonds experienced a reversal of fortune this week, as most indices were higher, except for High Yield (HY), which posted its first weekly decline in a while. The 10yr TSY came in about 7bps this week, and stands at roughly 2.62%. The 10-2 spread remained relatively unchanged this week at ~16-18bps, while credit spread did experience widening across the curve. With the print of February's BLS jobs together with yesterday's ECB dovish release, the market is all but sidelined with expectations for any near-term Fed rate increases.

Weekly S&P Returns: YTD



Anyone? Anyone?

We couldn't help ourselves this week. With the release of the trade deficit, in concert with a larger than expected budget deficit, we would be remised if we didn't conjure up a couple title lines from one of our all-time favorite coming-of-age movies. And just as it was suggested in Ben Stein's famous classroom scene, investors may also be questioning the success of a tariff war in combination with a supply-side economic policy on steroids. While not all data was bad over the last 5 trading days (better claims data, positive retail sales, strong service ISM/PMI, better home sales, higher housing starts, stronger labor participation, healthy consumer comfort and further evidence that inflation is MIA), steeper budget deficits alongside with large trade imbalances combined with today's release of February jobs (only +20k vs the consensus of +180k) just reinforced concerns about rising debt loads and slowing global demand/growth. What was once the phrase, "when America sneezes, the rest of the world catches cold," may now be working in the reverse. We have been for some time warning our clients of the pending slowdown both here and abroad, and now according to GDPNow, published by the Atlanta Federal Reserve, real GDP in 1Q19 is forecasted to be only 0.5% (pre Feb '19 jobs data), compared to the Street consensus of about 2%. In addition, according to I/B/E/S and Refinitiv, 1Q19 S&P earnings will be negative for the first time since 2Q16 and full-year 2019 EPS growth is expected at below 4%, compared to over 10% as of October 2018. Add to this increased tension between the US and North Korea relating to the rebuilding of long-range missile sites and increasing concerns that a US/Sino trade agreement will be void of any substantive IP theft/transfer prohibition; it is no wonder why markets are starting to lean toward selling the news, versus buying the rumors. Given all of this, we remain cautious regarding new investment allocation into equities, and continue to tilt toward value-oriented sectors and styles with solid balance sheets that provide well covered dividend and free cash flow prospects. Within fixed-income, we continue to recommend investors utilize preferred equities as corporate bond surrogates, barbelled against short-duration municipals in taxable accounts. We believe that HY is getting stretched once again. And while we continue to believe longer-duration governments will outperform in the intermediate term, we caution investors to not get blind-sided if the Fed does indeed back-up one more time in late Spring/early Summer. **Give us a call to discuss – we'd love to hear your thoughts.**

Domestic Indices		1Week
1	BBgBarc US Government TR	0.5%
2	US Inter Gov Bd TR Bond	0.4%
3	BBgBarc US Agg Bond TR	0.4%
4	BBgBarc US MBS TR	0.3%
5	BBgBarc Municipal TR USD	0.3%
6	ICE BofAML US High Yield TR	-0.3%
7	S&P 500 TR	-1.2%
8	NASDAQ Composite PR	-1.5%
9	NYSE Composite PR	-1.6%
10	DJ Industrial Average TR	-1.7%
11	S&P MidCap 400	-2.3%
12	Russell 2000 TR	-3.3%

Style Stratificiation		1Week
1	US Large Core	-1.1%
2	US Large Cap	-1.2%
3	US Core	-1.3%
4	US Large Growth	-1.3%
5	US Market	-1.4%
6	US Large Val	-1.5%
7	US Mid Core	-1.5%
8	US Growth	-1.6%
9	US Mid Cap	-1.9%
10	US Mid Val	-2.0%
11	US Mid Growth	-2.2%

Sector Stratificiation		1Week
1	US Utilities	0.6%
2	US Energy Capped	-0.3%
3	US Real Estate	-0.5%
4	US Consumr Dfnsve	-0.8%
5	US Technology	-0.9%
6	US Commun Svc Capped	-1.0%
7	US Basic Materials	-1.2%
8	US Consumr Cyclcl	-1.3%
9	US Snstve Sup Sec	-1.3%
10	US Dfnsve Sup Sec	-1.5%
11	US Cyclcl Sup Sec	-1.6%
12	US Financial Services	-2.2%
13	US Healthcare	-2.4%
14	US Industrials	-2.4%

Bond Indices		1Week
1	US Lng Gov Bd TR Bond	0.9%
2	US Lng Core Bd TR Bond	0.8%
3	US Lng Corp Bd TR Bond	0.6%
4	US Inter Corp Bd TR Bond	0.5%
5	US Corp Bd TR Bond	0.5%
6	US Gov Bd TR Bond	0.4%
7	US Inter Gov Bd TR Bond	0.4%
8	US Core Bd TR Bond	0.4%
9	US Inter Core Bd TR Bond	0.4%
10	Mortgage TR Bond	0.3%
11	US TIPS TR	0.3%
12	BBgBarc Municipal TR USD	0.3%
13	US Shrt Gov Bd TR Bond	0.2%
14	ICE BofAML US High Yield TR	-0.3%

International Markets		1Week
1	SSE Composite PR CNY	5.6%
2	FTSE 100 TR GBP	1.4%
3	MSCI Pacific Ex Japan PR LCL	0.6%
4	Euronext Paris CAC 40 NR EUR	0.5%
5	MSCI Europe PR LCL	0.3%
6	MSCI World Ex USA PR LCL	0.2%
7	FSE DAX TR EUR	0.0%
8	MSCI Pacific PR LCL	0.0%
9	MSCI EM PR LCL	-0.2%
10	MSCI Pacific NR USD	-0.3%
11	MSCI Japan PR LCL	-0.4%
12	MSCI EM PR USD	-0.7%
13	MSCI World ex USA NR USD	-0.7%
14	MSCI Europe NR USD	-0.9%

Source: Morningstar.com

NORTHEAST | SEQUOIA
PRIVATE CLIENT GROUP