

## A Seemingly Uneventful Eventful Week

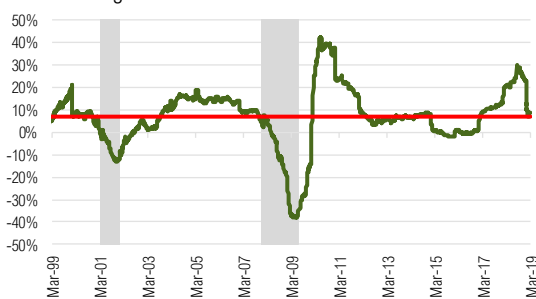
### Weekly Review

Equities once again ended the week (Thursday-Thursday) in the green despite mixed economic data and a failed US/North Korea Summit. The S&P 500 was higher by 0.4% for the week and is now higher by 11.5% YTD. The Russell 2000 (small caps) took a pause this week, ending flat – but still leads the equity indices YTD, higher by almost 18%. Growth was in vogue this week, higher by 0.9%-2.0%, while Mid-Cap Value was in the red. Leading sectors were Technology and Industrials, while Real Estate, Consumer Defensive and Energy lagged. Bonds were mostly flat over the last five trading days, with HY continuing to outperform.

### GDP Surprises Higher... Now What?

The final print for 4Q18 GDP was released on Wednesday, surprising to the upside at 2.6%, versus the consensus estimate of roughly 2.2%. This positive surprise helped offset some negative data released earlier in the week. In addition, financial conditions – in broad terms – have generally loosened since the steep sell-off last December, driven mostly in our opinion, by an overly dovish Federal Reserve and the illusion that a Sino/US trade deal has teeth. As a result, the S&P 500 is higher by roughly 11.5% YTD and has recovered more than 18% since Christmas Eve 2018. All of this now has the “talking heads” suggesting that maybe the economy isn’t as bad as previously thought, and together with other factors (low inflation, relatively low interest rates, synchronized global central bank easing) stands to help support higher equity values, especially here in the US. We continue to approach this premise with caution. First, despite the seeming positive economic surprise provided by the 4Q18 GDP print, the S&P didn’t respond as if it was indeed a positive affirmation for growth. Now maybe this price action (or lack thereof) was a culmination of Cohen’s testimony in concert with an abrupt and unsuccessful end to the US/North Korea Summit. But as we previously suggested, for US equities – in general terms – to materially increase from here, either earnings need move significantly higher (meaning additional economic growth/corporate profits), or equity multiples need to expand. But considering we are currently well into longest bull-market since 1929 and come July '19 (if we make that far) the longest economic expansion since 1945, we find little solace that recent economic data trends can support the case for higher equities. Earnings are coming in; there can be no dispute here. And while not moving negative, according to I/B/E/S, earnings per share (EPS) growth for the S&P 500 is now expected to be only 4.0% in 2019. This is down from expectations of 7.3% on January 1, 2019 and 10.2% back on October 1, 2018. Further, in the exhibit above, we illustrate the rather steep year-over-year decline in forward four-quarter earnings growth dating back through 1999. What we found interesting, is that in two of the three previous instances when YoY EPS growth trended back to its long-term average (roughly 7-8%), we soon thereafter entered a recession. Now, we are not sounding the recession alarm just yet but rather continue to suggest a more pragmatic asset allocation for new capital. There remain sectors/styles and allocations that still provide investors an efficient risk/return frame work. We continue to like Value and Defensives within equities. And within fixed-income, we recommend and utilizing preferred equities as corporate bond surrogates, barbelled against short-duration municipals. **Give us a call to discuss – we’d love to hear your thoughts.**

S&P Earnings Growth and Recessions



Domestic Indices	1Week
1 NASDAQ Composite PR	1.0%
2 ICE BofAML US High Yield TR	0.5%
3 S&P 500 TR	0.4%
4 DJ Industrial Average TR	0.3%
5 BBgBarc Municipal TR USD	0.2%
6 NYSE Composite PR	0.2%
7 Russell 2000 TR	0.0%
8 BBgBarc US Agg Bond TR	0.0%
9 US Inter Gov Bd TR Bond	0.0%
10 BBgBarc US MBS TR	0.0%
11 BBgBarc US Government TR	-0.1%
12 S&P MidCap 400	-0.4%

Style Stratification	1Week
1 US Mid Growth	2.0%
2 US Growth	1.2%
3 US Large Growth	0.9%
4 US Mid Cap	0.5%
5 US Large Cap	0.5%
6 US Market	0.5%
7 US Large Core	0.4%
8 US Core	0.2%
9 US Large Val	0.1%
10 US Mid Core	-0.1%
11 US Mid Val	-0.5%

Sector Stratification	1Week
1 US Technology	1.4%
2 US Snstve Sup Sec	0.9%
3 US Industrials	0.7%
4 US Commun Svc Capped	0.6%
5 US Financial Services	0.5%
6 US Utilities	0.4%
7 US Healthcare	0.4%
8 US Consumr Cyclcl	0.2%
9 US Cyclcl Sup Sec	0.2%
10 US Dfnsvs Sup Sec	0.1%
11 US Real Estate	-0.3%
12 US Consumr Dfnsvs	-0.4%
13 US Energy Capped	-0.7%
14 US Basic Materials	-0.8%

Bond Indices	1Week
1 ICE BofAML US High Yield TR	0.5%
2 US Inter Corp Bd TR Bond	0.3%
3 BBgBarc Municipal TR USD	0.2%
4 US Corp Bd TR Bond	0.2%
5 US Shrt Gov Bd TR Bond	0.1%
6 US Lng Corp Bd TR Bond	0.1%
7 US Inter Core Bd TR Bond	0.0%
8 US Inter Gov Bd TR Bond	0.0%
9 US Core Bd TR Bond	0.0%
10 US TIPS TR	0.0%
11 Mortgage TR Bond	0.0%
12 US Gov Bd TR Bond	-0.1%
13 US Lng Core Bd TR Bond	-0.2%
14 US Lng Gov Bd TR Bond	-0.5%

International Markets	1Week
1 SSE Composite PR CNY	6.8%
2 MSCI Europe NR USD	1.0%
3 Euronext Paris CAC 40 NR EUR	0.9%
4 Nikkei 225 Average PR JPY	0.8%
5 FSE DAX TR EUR	0.8%
6 MSCI World ex USA NR USD	0.4%
7 MSCI Pacific Ex Japan PR LCL	0.1%
8 MSCI Europe PR LCL	0.1%
9 MSCI EM PR USD	0.0%
10 MSCI EM PR LCL	0.0%
11 MSCI World Ex USA PR LCL	0.0%
12 MSCI Pacific PR LCL	-0.3%
13 MSCI Japan PR LCL	-0.5%
14 MSCI Pacific NR USD	-0.5%

Source: Morningstar.com

Disclosure: The information in this publication and references to specific securities, asset classes and financial markets are provided for illustrative purposes and do not constitute an offer to sell, or solicitation of an offer to purchase, any securities, nor does they constitute an endorsement with respect to any investment area or vehicle. This material serves to provide general information to clients and is not meant to be legal or tax advice for any particular investor, which can only be provided by qualified tax and legal counsel. Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed. Investment products (other than deposit products) referenced in this material are not insured by the FDIC (or any other state or federal agency), are not deposits of or guaranteed by Northeast Private Client Group, and are subject to investment risk, including the loss of principal amount invested. Portfolios are subject to investment risks, including possible loss of the principal amount invested. In addition, foreign investments may be less liquid, more volatile and less subject to governmental supervision than in the United States. The values of foreign securities can be affected by changes in currency rates, application of foreign tax laws, changes in governmental administration and economic and monetary policy. Investors should consider the investment objectives, risks, charges, and expenses of ETFs carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained from your investment professional. Please read it before you invest. Investments in ETFs are subject to risk, including possible loss of the principal amount invested. This information is being provided to current Northeast Private Client Group clients and should not be further distributed without Northeast Private Client Group's approval. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Each company's security affects the index in proportion to its market value. This commentary contains forward-looking statements and projections. Actual results may differ from current expectations based on a number of factors including but not limited to changing market conditions, leverage and underlying asset performance. Northeast Private Client Group makes no representation or warranty, express or implied that this information shall be relied upon as a promise or representation regarding past or future performance. This material contains the current opinions of the author but not necessarily those of Guardian or its subsidiaries and such opinions are subject to change without notice. Past performance is not a guarantee of future results. Indices are unmanaged, and one cannot invest directly in an index. Data and rates used were indicative of market conditions as of the date shown. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. Securities products and advisory services offered through Park Avenue Securities LLC (PAS), member FINRA, SIPC. OSJ: [200 Broadhollow Road Suite 405, Melville, NY 11747](#), 631-589-5400. PAS is an indirect, wholly-owned subsidiary of The Guardian Life Insurance Company of America® (Guardian), New York, NY. Northeast Private Client Group is not an affiliate or subsidiary of PAS or Guardian. 2019-75598 Exp. 6/19