



Monthly Market Commentary

April 2019

ECONOMY: Robust US Growth in Q1

U.S. GDP SOLID IN Q1

The U.S. economy grew at a faster pace than expected in Q1 and posted its best growth to start a year in four years while overcoming a prolonged government shutdown, trade tensions and global economic uncertainty. According to the Bureau of Economic Analysis, Q1 U.S. GDP grew by 3.2%, above economists' expectations of 2.5% growth. It was the first time since 2015 that first-quarter GDP growth topped 3%.

JOBS POST ANOTHER BIG GAIN

Employers added a robust 263,000 jobs in April, far outpacing the expectations of 190,000 new jobs. The unemployment rate trended lower to 3.6%, but that was primarily due to a drop in the labor force participation rate. Nonetheless, the last time the unemployment rate was this low was 1969, so the jobs market remains tight.

INFLATION REMAINS MUTED

U.S. consumer prices rose in April but underlying inflation remained muted. According to the Labor Department, the Consumer Price Index (CPI) increased 0.3% in April, lifted by gasoline, rents, and health-care costs. In the 12 months through April, the CPI increased 2.0%. The core CPI, which excludes food and energy, rose 0.1% for the month and is up 2.1% over the past 12 months. The current inflation situation supports the "patient" Fed as they believe the current low inflation readings may be "transient."

CONSUMER CONFIDENCE REBOUNDS

The Conference Board *Consumer Confidence Index*[®] improved in April, after decreasing in March. The Present Situation Index and The Expectations Index both increased for the month. *"Consumer Confidence partially rebounded in April, following March's decline, but still remains below levels seen last Fall. The Present Situation Index, which had decreased sharply last month, improved in April, as did consumers' short-term outlook. Overall, consumers expect the economy to continue growing at a solid pace into the summer months. These strong confidence levels should continue to support consumer spending in the near-term."*

EUROZONE POSTS POSITIVE GROWTH

The Eurozone economy grew by 0.4% in Q1 2019, according to preliminary GDP data. The rate of acceleration, twice that of Q4 2018, was above economists' consensus estimates of 0.3% GDP growth. Italy, the region's third largest economy, exited a technical recession by registering growth of 0.2%, while Spanish GDP growth came in at 0.7%.

BREXTENSION

Following months of political turmoil, the European Union granted the UK an extension to Article 50 until late October. The Bank of England (BoE), subsequently raised its GDP forecasts for this year and 2020. Although citing the possibility of a "no-deal" Brexit, the BoE suggested that interest rates would likely need to rise to ensure a smooth transition.

CANADA FOLLOWING THE FED

Like the U.S. Federal Reserve, the Bank of Canada (BoC), supported by strong employment and low inflation, has steadily been increasing its policy rate in recent years. At its most recent meeting the BoC left rates unchanged and eliminated reference to further increases that had been present in statements since 2017. The central bank also cut growth forecasts for 2019 to 1.2% from 1.7%.

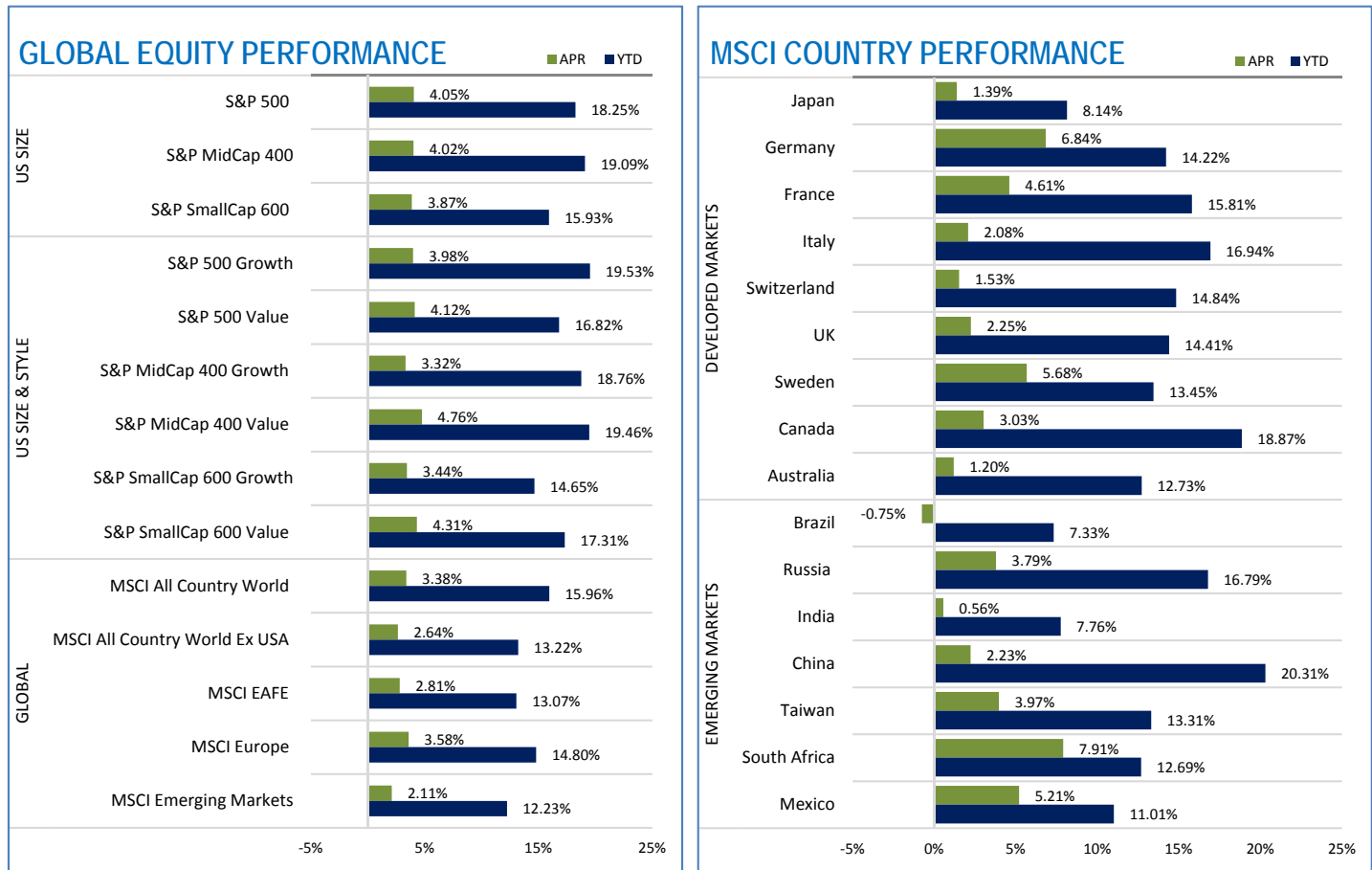
CHINA'S DATA MIXED

Despite a positive Q1 GDP report of 6.4%, China PMIs were weaker than expected in April. Both the manufacturing and services sectors both weakened during the month, yet both remain comfortably in expansion territory. Chinese authorities continue to suggest that additional stimulus measures may be introduced into the economy.

A CASUALTY OF ONGOING TRADE WARS?

South Korean GDP growth unexpectedly contracted 1.4% in Q1 2019, bringing the year-over-year pace below 2% for the first time since 2009. South Korea is a country heavily integrated into global trade, and exports represent about 44% of South Korean GDP. Nearly 25% of the country's exports are to China.

GLOBAL EQUITIES: Equity Momentum Remains



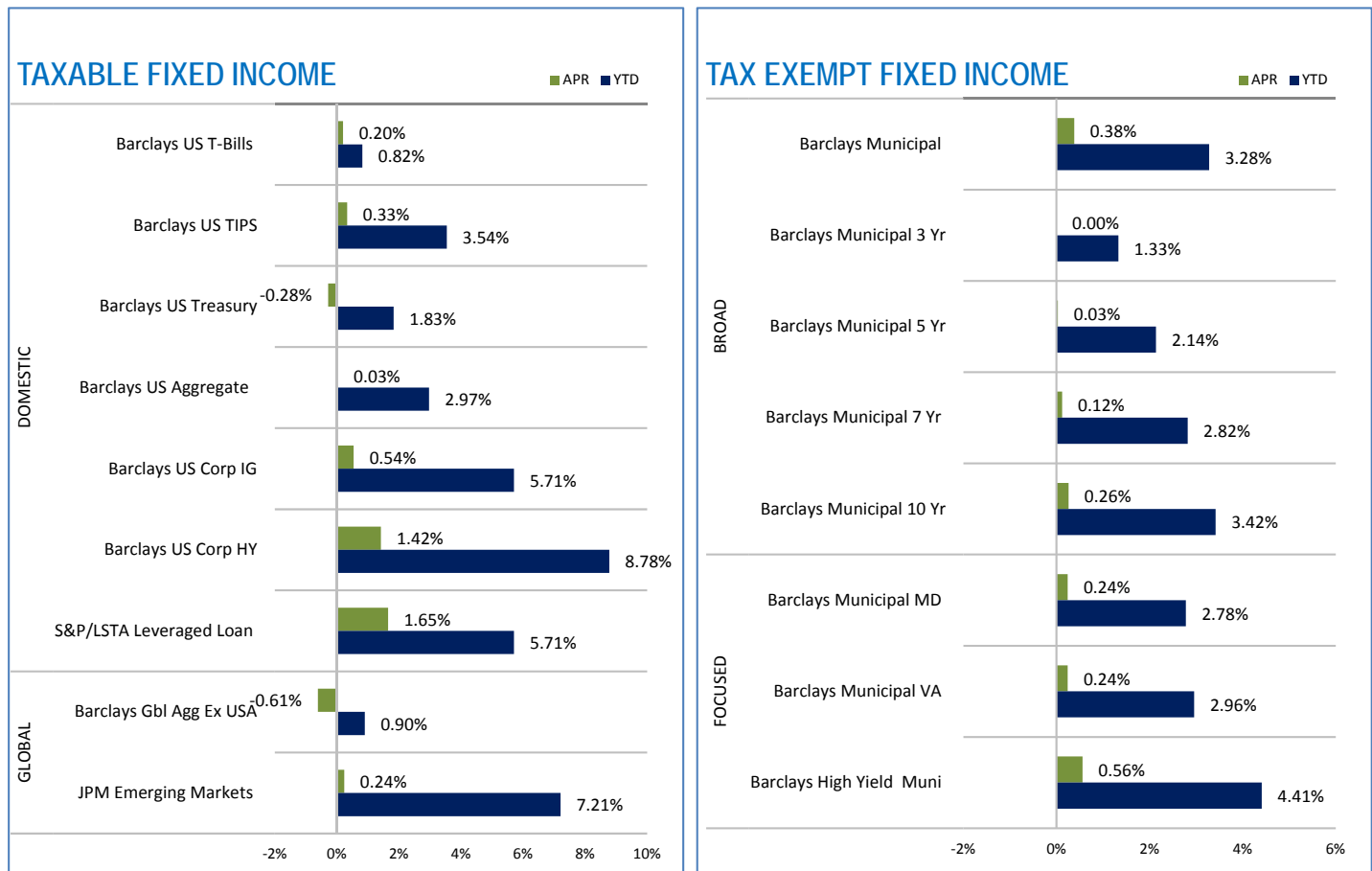
S&P 500 POSTS NEW RECORDS

The S&P 500 traded and closed above its September 20, 2018 high, setting four new closing highs and a new intraday high in April. The index gained 4.05% for the month and 18.25% YTD. The dispersion within the S&P 500 was significant, with 135 issues up at least 10% and 44 up at least 20%, while 136 issues were down at least 10% and 56 down at least 20%. Earnings and sales gains continue to support the markets upward momentum. Small and mid cap stocks also generated strong gains for the month, up 3.87% and 4.02% respectively.

ALL EM REGIONS GAIN

It was a positive month for global emerging equity markets, with all the regions advancing higher and the MSCI Emerging Markets Index gaining 2.11%. The strongest performer was EMEA (Europe, Middle East & Africa), with Egypt, South Africa and Greece leading the gains. Confidence towards Asia was boosted by better than expected GDP growth from China, up 6.4% and slightly above forecasts. Performance in Latin America was mixed, with strength in Mexico making up for weakness in Brazil and Colombia.

FIXED INCOME: Economic Data Supports Bond Market



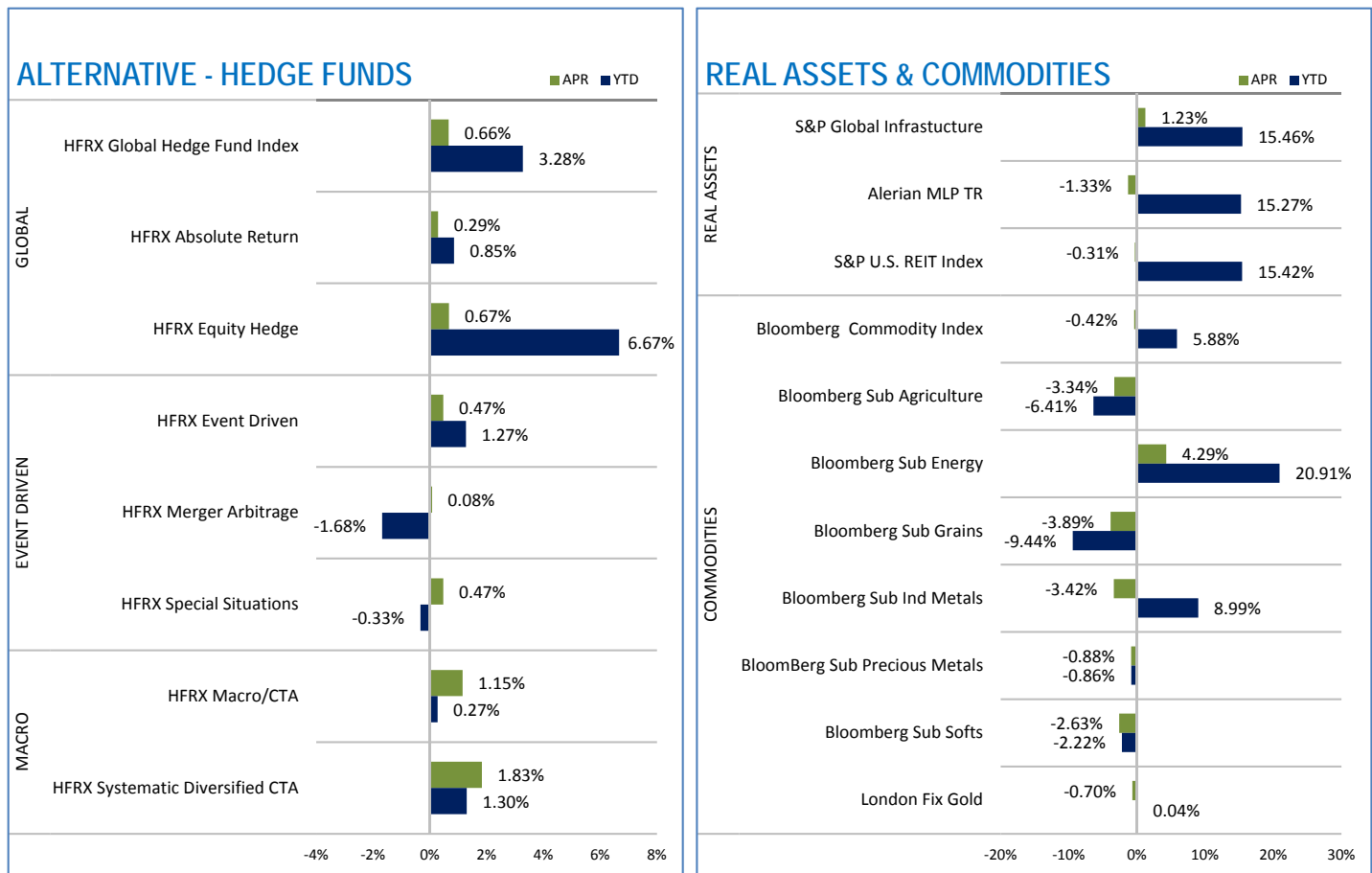
CURVE STEEPENS SLIGHTLY

Interest rates moved slightly higher in April with long rates rising more than short and the yield curve steepening slightly. The benchmark 10-Year U.S. Treasury yield rose 0.10% to end the month at 2.51%, which is still down 0.17% for the year. Solid economic data was the primary contributor to higher rates. The Barclays U.S. Aggregate Bond Index gained 0.03% in April while high yield and investment grade corporates gained 1.42% and 0.54% respectively.

MUNI SUPPLY & DEMAND

Supply and demand imbalances continue to support the municipal bond market. Demand in April remained at a near record pace, while issuance fell 28% from the previous year. April continued the recent streak of positive monthly returns as the Barclays Municipal Bond Index gained 0.38%. Once again, longer term maturities outperformed shorter term debt and lower quality issues outperformed higher quality bonds.

ALTERNATIVES: Energy Moves Higher



HEDGE FUNDS GAIN

Hedge funds posted gains in April as the HFRX Global Hedge Fund Index ended the month up 0.66%. The HFRX Equity Hedge Index gained 0.67% in April primarily due to gains from fundamental and market neutral strategies. Global Macro strategies also posted healthy gains from currency, agricultural and precious metal investments.

MLPS BUCK THE TREND

Master limited partnerships (MLPs), as measured by the Alerian MLP Index (AMZ), ended April down 1.33% on a total return basis. The AMZ results underperformed the S&P 500 Index's 4.05% return for the month, with MLP yield spreads relative to the 10-Year U.S. Treasury widened only slightly to 5.64%. This compares to the trailing five-year average spread of 5.08% and the average spread since 2000 of approximately 3.73%.