

Thursday, March 21, 2019

Good Afternoon,

Stocks continue to be fairly volatile with strong rallies and sharp declines often occurring in the same day. The net result is generally sideways trading as markets pause after big gains off the December lows. It remains to be seen if we can regain levels we last reached in September 2018. The bond market is also making news as the yield on the 10-Year Treasury has dropped to 2.5%. We have to go back to December 2017 to see yields that low.

Will we hold this recent rally in stocks or will it fade away? There are a lot of factors to consider in answering that question. Barring all the headline concerns (trade tariffs, BREXIT, political bickering, etc.), Q1 earnings will have the biggest influence on stock prices. We will start receiving earnings reports in early April, and by mid-month, we will have a better feel on market direction. With weakening economic data, expectations for earnings growth have been lowered by most analysts.

The drop in Treasury yields can be attributed to slowing economic growth and the Fed "pivot" to remove interest rate hikes from their menu. Yesterday's Fed meeting concluded with Chairman Powell reiterating the Fed's patience on any further rate increases. Is it patience or concern? Some are even predicting the Fed will have to cut rates by year end to stimulate growth. While markets do like lower interest rates, and stocks are cheering yesterday's decision, the change in the Fed's policy gives us insight into what they see in the cards for the US economy down the road.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Happy Spring!

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