

ABL Money Management Update

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1st Quarter 2019

What a difference one quarter makes. Late last year investors were bailing out of stocks and concerned that rising interest rates would snuff out the economic recovery. Today investors cannot get enough of stocks and consensus is now factoring in no more Fed increases and possibly a Fed rate looming sometime into 2019.

This can be easily demonstrated in the numbers with the S&P 500 rebounding 13.07% during the first quarter after a nearly 20% plunge last quarter. That was the best quarter for the S&P 500 since September 2009 and the NASDAQ had its best 3 months since March 2012. Even the depressed commodity arena experienced its best quarter in nearly ten years. Also, the U.S. Dollar has been up four straight quarters for the first time since 2009. The surge in stock valuations came in the midst of a decline in bond yields with 10 year Treasuries sliding 0.28% for the quarter and are now a significant 0.85% from its October 2018 highs. Even a slightly inverted yield curve has not dampened the stock market recovery as investors are currently only looking at the positives.





























Global interest rates are so much lower that many regions even have negative yields, especially after materially slowing economic growth. Momentum is back as some of the positives just occurred with the successful IPOs of Levi Strauss and Lyft over the past two weeks. Both did well even after raising initial pricing levels which was important with the slew of huge IPOs still in the pipeline. Obviously actual progress in the

discussions with China on trade would have the potentially game changing impact for long-term global growth. The momentum is palpable as valuations approach all time highs. We were buying when there was fear late last year investors should now look at reducing risk into strength rather than chasing stocks. The higher valuations rise into the second quarter the more defensive investors should lean.





















We started the year finding a variety of opportunities as investors were indiscriminately selling and panicking out. The best opportunities seemed to be in depressed areas that were getting to bargain levels even before the 4th quarter plunge. This included the biotech space, the energy sector, and preferred stocks trading at a discount as all of these areas had dramatically underperformed. All three have led the rebound this year and we are still finding select bargains rather than entire sectors. As valuations surge, and with rates reversing its course and staying low (if not heading lower), the area to focus on with equities would be in selective solid dividend leaders. While selective stocks may continue to perform, we feel the plunge in interest rates have taken any upside out in bonds, particularly long-term Treasuries. Better opportunities from a risk-reward standpoint will be seen with stock selection as well as proper asset allocation.















Please keep in mind strategic profit taking will become critical as valuations continue to rise from their impressive recovery of the first quarter.

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EQUITY INDICES		1ST QUARTER		1-YR (3/31/19)
 S & P 500	13.1%		7.3%	
 D.J.I.A.	11.2%		7.6%	
 NASDAQ	16.5%		9.4%	
 Russell 2000	14.2%		2.1%	
International Stocks (<i>MSCI EAFE NR USD</i>)	10.0%		-3.7%	
Emerging Mkt Stocks (<i>MSCI EM PR USD</i>)	9.6%		-9.6%	
 China (CSI 300)	3.8%		-9.3%	
 Germany (DAX)	9.2%		-4.7%	
 Japan (NIKKEI 225)	6.0%		-1.2%	
 India (SENSEX)	7.2%		17.3%	

**Global Indices returns exclude dividends and are in local currency except where noted otherwise*

U.S. EQUITY SECTORS		1ST QUARTER		1-YR (3/31/19)
S&P 500 Utilities	9.9%		19.9%	
S&P 500 Telecom	13.6%		16.6%	
S&P 500 Consumer Staples	11.2%		7.1%	
S&P 500 Materials	9.7%		-3.9%	
S&P 500 Industrials	16.6%		5.2%	
S&P 500 Energy	15.4%		-1.8%	
S&P 500 Information Technology	19.4%		13.8%	
S&P 500 Consumer Discretionary	15.3%		11.7%	
S&P 500 Health Care	6.1%		15.1%	
S&P 500 Financials	7.9%		3.0%	

FIXED INCOME AND ALTERNATIVE INVESTMENTS BENCHMARKS		1ST QUARTER		1-YR (3/31/19)
Real Estate (<i>DJ US REIT</i>)	14.6%		15.1%	
Interm-Term Bond (<i>Barclays Interm. Gov/Credit</i>)	2.3%		0.7%	
High Yield Bond (<i>BofA/ML Hi Yld Mst II</i>)	7.1%		5.8%	
Muni Bond (<i>S&P 7-12 Yr Muni</i>)	3.2%		6.3%	
Short-Term Bond (<i>Barclays 1-3Yr Gov/Credit</i>)	3.2%		4.3%	
Commodities (<i>Bloomberg Commodity</i>)	6.3%		-6.6%	
Master Limited Partnerships (<i>S&P MLP</i>)	16.4%		8.7%	

Sources: The Wall Street Journal, Yahoo, and Standard & Poor's. Performance is for 1st quarter and 12 months ending 3/31/19. Performance includes dividends, except where noted otherwise.