

Market Currents

- **Momentum Continues.** The solid start to the year extended through April. The S&P 500 rang in its fourth consecutive month of positive returns, closing out another strong month for risk assets both here and abroad. Almost without exception, equity markets have recovered their losses from the prior year.
- **Holding Steady.** Contributing to market strength, the Federal Reserve maintained its target range for the Fed funds rate at its latest policymaking meeting. The Fed's patient approach is expected to continue, with the FOMC statement highlighting strengths of the economy, and acknowledging that inflation continues to run below the Fed's 2% target.
- **Earnings in Review.** Following very strong corporate earnings growth in 2018, investors feared an earnings decline beginning with 2019's first quarter. So far, results have come in a bit better than expected, thanks partly to subdued expectations, but also to moderately solid sales growth. Companies have resorted to price hikes to contend with higher input costs, with the excess, for now, falling to the bottom line.
- **Trade Optimism Took a Hit.** Just as trade negotiations with China appeared to enter their home stretch, President Trump tweeted threats of new tariffs on Chinese exports, escalating tensions between the nations. The threats come after delegates from China were accused of backtracking on previous commitments. China had stated that they are unwilling to negotiate with a gun to their heads. Despite the pressure tactic, trade talks are continuing (for now). We remain hopeful that clearer heads will prevail, and a favorable resolution can be reached sooner rather than later.
- **Wave of IPOs.** After a relatively dry spell in the past three years, a wave of IPOs is hitting the public market, as the latest generation of Silicon Valley start-ups take their public turn. Some 220 companies are expected to go public, representing a value of nearly \$700 billion. While the former number is still dwarfed by the nearly 600 companies that came to market two decades ago during the 1999 dot-com bubble era, the capital expected to be raised will set a record. Absent new money coming in to the market, there exists a concern whether the market can absorb this large supply of public stocks without investors selling off existing positions.
- **Outlook for 2019.** The markets have enjoyed an impressive start to the year, although currently are experiencing volatility over the US-China trade uncertainties. Sentiment does not yet appear exuberant; indeed, the caution among investors is likely helping to extend the current rally. Meanwhile, the ability of companies to generate decent earnings growth despite an uneven global economy speaks to their ability to drive efficiencies. The labor market remains strong, wages are rising, and consumer confidence is high. Inflation remains muted, and market valuations are reasonable. Barring a break down in trade negotiations, we believe a thoughtful, long-term approach to risk assets will continue to be rewarded.