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*This month's Market Minute reflects the views of Clearstead's Research Team and was composed by Joe Nitting.*

### OVERVIEW

US and foreign markets moved higher in April as investors digested several positive economic data releases and apparent progress in trade negotiations between the US and China. Domestically, a better-than-expected March jobs report and Purchasing Managers' Index reading were among the most notable economic headlines<sup>1</sup>. President Trump also boosted investor sentiment further by discussing his optimism regarding a trade deal with China, which could be complete as early as May<sup>2</sup>.

Against the backdrop of stabilizing economic activity and a potentially more conducive global trade environment, US interest rates rose across the yield curve. Investor concerns about a briefly inverted yield curve in March also dissipated as the yield curve steepened over the course of April.

### DOMESTIC EQUITY

As of April 30, 2019

U.S. EQUITY MARKETS					
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year	
DJIA	2.7%	2.7%	14.8%	12.6%	
S&P 500	4.0%	4.0%	18.2%	13.5%	
Russell 2000	3.4%	3.4%	18.5%	4.6%	
Russell 1000 Growth	4.5%	4.5%	21.3%	17.4%	
Russell 1000 Value	3.5%	3.5%	15.9%	9.0%	
WTI Crude Oil	6.3%	6.3%	40.7%	-6.8%	

Despite several positive economic and political headlines during April, no major market return themes emerged during the month. Both US large-cap and small-cap equities moved higher during April, but large caps outperformed amid improving sentiment regarding US-China trade negotiations. Large-cap stocks typically have a broader geographic footprint than their small-cap counterparts and would theoretically benefit more from a US-China trade deal.

Overall, the underlying fundamentals of the US economy and corporate profits remain stable, while current valuations generally remain fair. However, earnings season for Q1-2019 is underway and analysts expect negative aggregate year-over-year earnings growth from S&P 500 companies (-3.9%)<sup>3</sup>. Corporate guidance will be particularly important this earnings season, as meaningfully negative guidance for the rest of the year could introduce volatility into the market.

## INTERNATIONAL EQUITY

As of April 30, 2019

INTERNATIONAL EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
MSCI ACWI ex USA	2.6%	2.6%	13.2%	-3.2%
MSCI EAFE	2.8%	2.8%	13.1%	-3.2%
MSCI Emerging Markets	2.1%	2.1%	12.2%	-5.0%
MSCI EAFE Small Cap	3.0%	3.0%	14.0%	-7.9%

Foreign markets also generated positive returns during April despite the headwind of the US dollar moving modestly higher relative to most foreign currencies during the month. A better-than-expected Purchasing Managers' Index reading from China allayed investor concerns about China's economic slowdown, while investors also perceived a further delay in Brexit negotiations as a positive<sup>4</sup>. Along with US-China trade talks and Brexit negotiations, we think the next item to garner significant attention could be US-EU trade negotiations and their ongoing evolution. Nonetheless, mildly positive earnings expectations for 2019 should continue to provide support for non-US equities.

## FIXED INCOME

As of April 30, 2019

FIXED INCOME MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
BarCap US Aggregate	0.0%	0.0%	3.0%	5.3%
BarCap Global Aggregate	-0.3%	-0.3%	1.9%	0.9%
BarCap US High Yield	1.4%	1.4%	8.8%	6.7%
JPM Emerging Market Bond	0.1%	0.1%	6.7%	5.2%
BarCap Muni	0.4%	0.4%	3.3%	6.2%

The yield on the U.S. Treasury 10-year moved higher in April given several better-than-expected economic data releases. While the Fed maintained its dovish stance, the yield curve steepened, allaying investor concerns about an inverted yield curve and its potentially negative implications. Risk-oriented fixed income investments were positive during the month and outperformed high-quality fixed income investments. With the Fed potentially on hold for the remainder of the year in the context of a stable domestic economy and corporate fundamentals, we believe fixed income investors should expect coupon income to drive returns for the remainder of the year.

## CLOSING

Despite an exceptional start through the first four months of 2019, we acknowledge later-cycle investing can be volatile and investor sentiment can change quickly. The potential collapse of US-China trade talks, a slowdown in corporate earnings growth, a further weakening Chinese economy, and the potential evolution of US-EU trade talks remain risks. While Clearstead remains defensive across its portfolios, we think the economic fundamentals, low-interest rate environment, and current stock valuations should provide a supportive atmosphere for equities and other risk assets throughout the year. However, given the recent run-up in the prices of risk assets, we recommend rebalancing to target in equities, improving the quality of fixed income assets, and adding alpha opportunities through the use of alternative strategies.

### Sources:

<sup>1</sup> Bloomberg - U.S. Payrolls Top Estimates With 196,000 Rise as Wages Cool; Bloomberg - U.S. Factory Gauge Rises From Two-Year Low.

<sup>2</sup> New York Times - 'Epic' China Trade Deal Near Completion, Trump Says, but Hagglng Continues.

<sup>3</sup> FactSet - Earnings Insight (April 18, 2019).

<sup>4</sup> Bloomberg - China's Factory Rebound Eases One Big Fear About Global Outlook; CNN - Theresa May granted Brexit delay at EU summit.

### Disclosures

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