Parkside Financial
BANK & TRUST

Monthly Market Update - April 2019

Global Economy

With optimism continuing to reign in April, investors bid risk assets higher and markets maintained the "great start to 2019." Sentiment indicators have been resilient, even as we can cite continuing conflicts on various global fronts. Little has actually been settled between the US and China, between the US and North Korea, between the Democratic-controlled House and the Trump administration, or between the UK and the rest of the EU. Still, there have been ongoing signs of growth in the US, and stabilization in the Eurozone and in China, with the largest gains in the service sectors as opposed to manufacturing. Rising oil/gasoline prices have thus far not impacted corporate profits or consumer outlooks.

The Federal Open Market Committee (FOMC) met on April 30th/May 1st, ultimately leaving interest rates at 2.25% - 2.50%. Chairman Powell indicated the recently soft inflation readings were not necessarily a sign of a weak economy and could be due to more "transitory" factors. This was viewed as slightly hawkish, suggesting the FOMC is not yet ready to focus on a potential rate cut later in 2019 or early 2020, as the futures market has already been priced in.

The initial estimate of 1Q-19 GDP growth showed an annualized rate of 3.2%, which was well above consensus expectations. A significant piece of the growth came from net exports and inventory accumulation, components that tend to be more volatile and perhaps less repeatable in upcoming quarters. Personal consumption growth was just 1.2%, significantly less than the reading in 4Q-18 as retail sales drifted lower. The Federal Reserve Bank of Atlanta is currently projecting 2Q-19 GDP growth of 1.7%, while the consensus of analyst projections points to something closer to 2.5%.

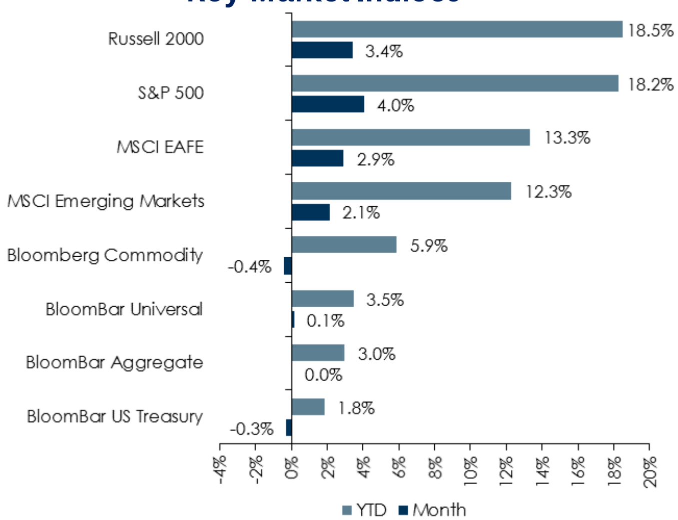
The unemployment rate dropped to 3.6% in April, confirming the strength of the labor market, as 263,000 jobs were added. Even as the labor participation rate dropped slightly to 62.8%, the overall labor force is up 1.4 million from a year ago alongside improved productivity measures. Average hourly wages continue to rise at a year-over-year pace of 3.2%, pointing to limited inflation pressures from this source. The Core CPI index dropped slightly to 2.0% year-over-year, while the FOMC's preferred measure, the Core PCE index, was reported at just 1.6% year-over-year through March.

	Current	Dec-18
US GDP (%)	3.20	3.40
US Unemployment (%)	3.60	3.90
CPI (Core) (%)	2.00	2.20
Fed Funds (%)	2.25 – 2.50	2.25 – 2.50
10 Year UST Yld (%)	2.50	2.69
S&P 500 Div Yld (%)	1.88	2.15
S&P 500 P/E (Trailing)	19.23	17.12
Gold/oz.	$1,285.70	$1,281.30
Oil (Crude)	$63.91	$45.41
Gasoline (Natl Avg)	$2.97	$2.36
USD/Euro	$1.12	$1.15
USD/GBP	$1.30	$1.28
Yen/USD	¥111.42	¥109.69

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

April returns were solid for both domestic and international stocks, with several key indices establishing all-time highs. The S&P 500, which represents large US-based entities, was up +4.0% for the month and is now up 18.2% on the year. Most major sectors in the domestic benchmark were up materially, with Financials (+8.8%), IT (+6.4%) and Communication Services (+6.2%) leading the advance. Healthcare was a significant outlier (-2.7%), with Real Estate (-0.6%) and Energy (+0.0%) also underperforming. Small cap stocks, as represented by the Russell 2000, were also up meaningfully for the month, with a return of +3.4%, as year-to-date returns of +18.5% lead the major asset classes.

In the broad international developed markets, the MSCI EAFE index was meaningfully positive for the month at +2.9%, with particular strength in Europe at +3.7%. Sector performance was strong in many areas, with IT (+6.7%), Financials (+5.7%) and Industrials (+5.3%) leading the way. Real Estate (-3.1%), Health Care (-2.3%) and Utilities (-1.8%) were notable laggards abroad.

Emerging market stocks, as represented by the MSCI Emerging Markets index, were once again positive, though trailed developed international stocks slightly with a return of +2.1%. All major regions were positive, led by Europe, Middle East and Africa at +5.2%, and Eastern Europe at +3.0%. Latin America showed weakness once again, with its regional return of +0.5 held back by declines in the countries of Brazil, Columbia, and Chile.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, was down moderately at -1.3% during the month, but is still up +13.4% for the year. Likewise, the Alerian MLP index was also down -1.3% in April, but remains up +15.3% for the year. The near-month NYMEX oil contract was up +6.3% for the month and has now advanced +40.7% thus far in 2019. The broadly diversified Bloomberg Commodity index retreated -0.4% for the month given weakness in metals and agriculture, but is still up 5.9% for the year.

Global Markets (continued)

Investor appetite for risk assets caused US Treasury (UST) yields to move slightly higher in April. Given the Fed's currently accommodative stance, the short-end of the yield curve held in much better than longer-dated issues. Although high-quality issues inside of five years generated a positive total return, the overall government bond complex returned -0.3% for the month. The commonly referenced 10-year UST yield ultimately ended 10 bps higher to finish at 2.50%. Despite the modest re-steepening bias, the slope of the yield curve remains quite flat by historical standards, and the futures market continues to project a >60% chance of a rate cut by the end of 2019.

The BloomBar US Aggregate Bond index outperformed risk-free Us Treasuries on a duration-matched basis, returning a flat +0.0% in April. Spreads for IG corporates tightened by another 8 bps, led mostly by strong demand for BBB-rated Industrial credits. Mortgage-backed securities (MBS) were once again the benchmark's only underperforming sub-sector. Competing forces between rates and spreads left the benchmark's yield-to-worst slightly higher, but still just below 3.0%.

The Bloombar 1-15-Year Municipal index returned +0.2% in April, driving 12-month returns to a very respectable +5.6%. With capital continuing to flow into the market at a robust pace, most segments of the tax-exempt yield curve have now flattened to post-crisis lows. Comparable yield ratios and credit spreads are also looking historically rich at this point.

The Bloombar US Corporate High Yield index built upon year-to-date gains with a return of +1.4% in April. Returns were best for CCC-rated issues, as investors gained comfort with risk. Overall benchmark spreads narrowed 33 bps, taking all-in yields down to just over 6.1%. Global yield moves were directionally consistent with US government bonds, and US dollar strength hampered results for unhedged international bonds. Hard-dollar emerging market bonds produced modest gains, as spreads for both sovereigns and corporate issues tightened. Local currency bonds experienced a loss of -0.2%.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)	Current	Dec-18
Japan	-0.05	-0.01
Germany	0.01	0.24
France	0.37	0.71
United Kingdom	1.18	1.28
Spain	1.00	1.41
United States	2.50	2.69
Italy	2.55	2.74
Mexico	8.09	8.64
Brazil	8.98	9.24

Indices Report (Periods Ending April 30, 2019)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	4.05	18.25	13.49	14.87	11.63	15.32	8.97
Russell 1000	4.04	18.60	13.33	14.82	11.41	15.39	9.16
Russell 1000 Growth	4.52	21.35	17.43	18.62	14.50	16.96	10.12
Russell 1000 Value	3.55	15.90	9.06	10.97	8.27	13.76	8.06
Russell 2500	3.50	19.88	7.89	13.31	9.04	14.97	9.49
Russell 2000	3.40	18.48	4.61	13.60	8.63	14.09	8.66
Russell 2000 Growth	3.05	20.71	6.91	15.64	10.22	15.24	9.31
Russell 2000 Value	3.78	16.16	2.19	11.46	6.94	12.87	7.89
Wilshire 5000 Cap Wtd	4.01	18.68	12.85	14.84	11.35	15.29	9.21
MSCI ACWI	3.43	16.18	5.63	11.96	7.54	11.70	7.77
MSCI ACWI ex US	2.72	13.44	-2.75	8.61	3.31	8.24	6.47
MSCI EAFE	2.91	13.33	-2.73	7.77	3.09	8.45	5.95
MSCI EAFE Local Currency	3.48	14.58	2.25	9.82	7.02	9.44	6.32
MSCI EAFE Growth	3.38	15.97	0.85	8.51	4.86	9.58	6.47
MSCI EAFE Value	2.42	10.69	-6.27	6.97	1.27	7.26	5.36
MSCI Emerging Markets	2.12	12.29	-4.68	11.66	4.42	7.87	9.05
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.22	1.19	3.08	1.05	0.99	1.07	2.06
BloomBar US Aggregate	0.03	2.97	5.29	1.90	2.57	3.72	4.07
BloomBar Gov't Bond	-0.27	1.83	4.76	1.02	1.98	2.55	3.56
BloomBar US Credit	0.49	5.39	6.38	3.23	3.46	5.98	4.92
BloomBar 10 Yr Municipal	0.26	3.42	6.84	2.58	3.64	4.66	4.71
BloomBar US Corp High Yield	1.42	8.78	6.74	7.69	4.84	10.15	7.48
FTSE World Govt Bond	-0.50	1.24	-0.18	0.37	0.27	2.15	3.27
BloomBar Global Aggregate	-0.30	1.90	0.94	0.94	0.75	2.93	3.57
BloomBar Multiverse	-0.25	2.14	1.03	1.28	0.92	3.19	3.74
Real Assets							
FTSE NAREIT US Real Estate	-0.24	16.06	18.88	6.90	8.36	15.10	9.65
FTSE EPRA/NAREIT Dev RE	-1.28	13.39	10.63	6.23	6.44	12.62	8.42
Bloomberg Commodity	-0.42	5.88	-8.03	-0.66	-9.43	-2.67	-2.70
Cash and Equivalents							
US T-Bills 90 Day	0.20	0.79	2.18	1.25	0.78	0.45	1.37

Disclosures and Legal Notice

The views expressed herein are those of Asset Consulting Group (ACG). They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

This report was prepared by ACG for you at your request. Although the information presented herein has been obtained from and is based upon sources ACG believes to be reliable, no representation or warranty, express or implied, is made as to the accuracy or completeness of that information. Accordingly, ACG does not itself endorse or guarantee, and does not itself assume liability whatsoever for, the accuracy or reliability of any third party data or the financial information contained herein.

Certain information herein constitutes forward-looking statements, which can be identified by the use of terms such as “may”, “will”, “expect”, “anticipate”, “project”, “estimate”, or any variations thereof. As a result of various uncertainties and actual events, including those discussed herein, actual results or performance of a particular investment strategy may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making investment decisions. ACG has no duty to update or amend such forward-looking statements.

The information presented herein is for informational purposes only and is not intended as an offer to sell or the solicitation of an offer to purchase a security.

Please be aware that there are inherent limitations to all financial models, including Monte Carlo Simulations. Monte Carlo Simulations are a tool used to analyze a range of possible outcomes and assist in making educated asset allocation decisions. Monte Carlo Simulations cannot predict the future or eliminate investment risk. The output of the Monte Carlo Simulation is based on ACG’s capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. Capital market assumptions based on other models or different estimates may yield different results. ACG expressly disclaims any responsibility for (i) the accuracy of the simulated probability distributions or the assumptions used in deriving the probability distributions, (ii) any errors or omissions in computing or disseminating the probability distributions and (iii) and any reliance on or uses to which the probability distributions are put.

The projections or other information generated by ACG regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Judgments and approximations are a necessary and integral part of constructing projected returns. Any estimate of what could have been an investment strategy’s performance is likely to differ from what the strategy would actually have yielded had it been in existence during the relevant period. The source and use of data and the arithmetic operations used for calculating projected returns may be incorrect, inappropriate, flawed or otherwise deficient.

Past performance is not indicative of future results. Given the inherent volatility of the securities markets, you should not assume that your investments will experience returns comparable to those shown in the analysis contained in this report. For example, market and economic conditions may change in the future producing materially different results than those shown included in the analysis contained in this report. Any comparison to an index is for comparative purposes only. An investment cannot be made directly into an index. Indices are unmanaged and do not reflect the deduction of advisory fees.

This report is distributed with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.