

THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished March at 25,929, up +0.05% for the month and +11.15% year to date. The S&P 500 closed March 29 at 2,834, up +1.79% for the month, and +13.07% so far for the year. The NASDAQ Composite gained +2.61% in March, up +16.49% for the year. Small company stocks as measured by the Russell 2000 ended March at 1,540, down -2.27% for the month but still up +14.18% year to date. Technology (+19.4%) and Real Estate (+16.6%) were the best performing sectors in the first quarter 2019.

"It has been decades since the market glowed this green to start the year- even as several signs start to flash red." Barron's, *The Trader*, by Avi Salzman, March 29, 2019

Keep Calm and Carry On

For investors seeking clarity in today's environment of conflicting data, competing narratives, and political instability the above slogan from WWII era Britain may provide helpful guidance. In a month when the US retail and manufacturing sectors provided disappointing data, the yield curve inverted, and the President threatened to shut down the southern border; investors had many reasons to be fearful. Markets remained positive, however, responding to stronger than expected Chinese data, optimistic reporting on US-China trade negotiations, and continued accommodative signaling from the Federal Reserve. Things can reverse sharply in today's markets, however. Consider that in just 90 days beginning last December, the S&P 500 both fell -15.7% and rallied +19.2% from its low. Such choppy markets provide investors ample opportunity to make poor decisions out of both fear and excitement. Our view is that the choppiness will continue, but that trying to time the ups and downs of the business cycle will most often lead to subpar results. Aside from near term cash needs, we advise long term investors to Keep Calm and Stick to Your Plan.

Fixed Income- Yield Curve Inversion

One of the most closely watched economic indicators recently has been the spread between short term bond yields and long term bond yields, or the yield curve. Because the yield curve has inverted 6 to 24 months prior to each of the past seven recessions, such events are closely watched and thought to signal a future economic slowdown. With the yield curve temporarily inverting March 22nd, headlines and commentary around this topic have been everywhere. In our view, this is consistent with where we are in the business cycle, but attempting to time recessions does not often lead to success for investors. For most long term investors, we believe the guidance offered in the above section is most appropriate.

"Nothing is screaming recession yet, but the bond market was at least whispering it for much of the week as the three-month Treasury yield traded above the 10-year yield, a so-called inversion. When the economy is healthy, the 10-year normally yields more because investors don't want their money tied up in a long-duration security when there are other, more promising investments. The numbers flipped again on Friday, making the signal less clear."(Barron's, *The Trader*, by Avi Salzman, March 29, 2019)

Employment Reports

Unemployment continues to hold below 4%, and weekly claims for unemployment remain near historic lows, although some month to month data in 2019 has been volatile. This is perhaps due in part to the effects of the partial government shutdown in January. February's jobs report showed annual wage gains of 3.4%, the fastest rate of growth since 2009. Consistently strong employment data with still subdued inflation is thought to contribute to underlying strength in the economy. Observers continue to watch for surprise signals of employment weakness or greater than expected effects on inflation, either of which could contribute to market volatility.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 02/28/2019	CLOSE AS OF 03/29/2019	CHANGE PREVIOUS MONTH END	2019 YTD % CHANGE
Dow Jones Industrial Average	25916.00	25928.68	+12.68	+11.15%
S&P 500	2784.49	2834.40	+49.91	+13.07%
NASDAQ Composite	7532.531	7729.32	+196.79	+16.49%
RUSSELL 2000	1575.55	1539.74	-35.81	+14.18%
Fed Funds Rate	2.25%- 2.50%	2.25% - 2.50%	UNCHANGED	
2-Year Treasury	2.52%	2.27%	-.25%	
10-Year Treasury	2.73%	2.41%	-.32%	
Crude Oil \$ per Barrel	\$57.22	\$61.70	+\$4.48	+35.87%
Gold \$ per Troy oz.	\$1316.10	\$1292.10	-\$24.00	+0.84%
UK Pound in U.S. \$	\$1.3301US = 1£	\$1.3031US = 1£	\$STRONGER	+4.44%
Euro in U.S. \$	\$1.1387US= 1€	\$1.1229US= 1€	\$STRONGER	-0.39%
Canada \$ per U.S. \$	\$1.3170 \$1.00 US	\$1.3359C \$1.00 US	\$STRONGER	-3.57%
Japan Yen per U.S. \$	111.32¥=\$1.00 US	110.685¥=\$1.00 US	\$WEAKER	+0.88%



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