

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%.

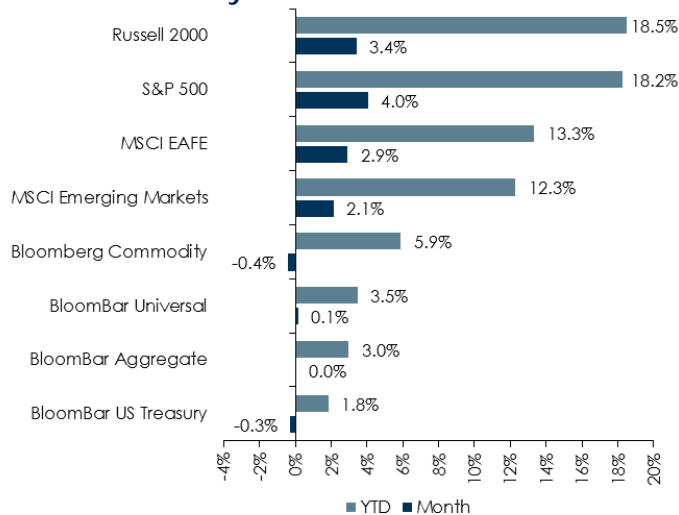
The unemployment rate dropped to 3.6% in April, confirming the strength of the labor market, as 263,000 jobs were added. Even as the labor participation rate dropped slightly to 62.8%, the overall labor force is up 1.4 million from a year ago alongside improved productivity measures. Average hourly wages 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

Source: Bloomberg

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 Govt 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

Definitions

Bloomberg Barclays Capital Aggregate

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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