# MARKET REVIEW & COMMENTARY

## APRIL 2019

TELEMUS®

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# MARKET REVIEW

## APRIL

Markets continued their march higher during April. Equity markets were largely positive as U.S. stocks continued to outperform international equities. In the U.S., large caps did better than small. Bonds results were mixed, although the broader asset class generated a modest gain. Real assets were the laggard as most assets in the category experienced declines. Within alternatives, results were largely positive amongst most hedge fund categories.

The S&P 500 increased +4.05% in April, while the tech-heavy NASDAQ gained +4.77%. High dividend payers rose +3.52%. From a style standpoint, 'growth' outperformed 'value' across most capitalizations, although value topped growth among small caps. In particular, large cap growth rose +4.52%, beating large cap value, which increased +3.55%. Mid cap growth stocks rose +4.50% versus mid cap value stocks gaining +3.29%. Small cap value was up +4.20%, outpacing small cap growth, which rose +3.46%. Outside the U.S., the MSCI EASE Index was up +2.81%, outdoing the MSCI Emerging Markets, which increased +2.11%.

Bonds returns were mixed during April, with the broad-based Bloomberg Barclays U.S. Aggregate up a mere +0.03%. Shorter maturities did better amongst Treasuries as the yield curve modestly steepened. However, longer maturity corporate and municipal bonds outperformed shorter maturities. Across sectors, corporate bonds performed moderately better than Treasuries, which fared better than municipal bonds. More specifically, 1-5 year credit rose +0.32%, while 1-3 years Treasuries rose +0.20%, and 1-5 year municipals were up +0.03%. The Bloomberg/Barclays Long Credit Index increased +0.61% versus a decline of -1.07% return in the Bloomberg/ Barclays 10-20 year Treasury Index. Long dated 10-year Municipals gained +0.26%. Outside of the United States, world government bonds fell -0.50%, in dollar terms, and emerging market debt decreased -0.74%.

Real assets were mostly negative in April.  Commodities, as measured by the Bloomberg Commodity Index, lost -0.42% due to softness in categories such as precious metals, which declined -6.24%. Crude oil was the notable exception amongst commodities, increasing +6.05%. U.S. real estate declined -0.19%, while global real estate fell -1.51%. The dollar appreciated +0.20%.

Alternatives largely experienced positive results as the HFRX Equal Weighted Strategies Index was up +0.51%. The HFRX Equity Hedge Index appreciated +0.67%, as fundamental growth funds were up +1.55%, ahead of fundamental value strategies, which averaged gains of +0.25%. Macro driven strategies, which had experienced declines earlier in the year, were up +1.15% on the month. Market neutral strategies, however, declined -0.50%.

# MARKET REVIEW

## YEAR-TO-DATE

Markets have had a steady upward climb year-to-date, with all asset classes showing attractive results. Gains in most asset classes have already reached levels we would consider attractive over a full year.

The S&P 500 has appreciated +18.25% year-to-date, with the tech-heavy NASDAQ gaining +22.38%. High dividend payers are up +16.44%. Small cap and large cap stocks have had nearly identical performance, while 'growth' has notably outperformed 'value' across capitalizations. Large cap growth has risen +21.35%, outperforming large cap value, which increased +15.90%. Mid cap growth stocks have returned +25.00% versus mid cap value stocks gaining +18.14%. Small cap growth increased +22.57% while small cap value stocks are up +18.26%. Among international markets, developed market stocks have outperformed emerging markets, with the MSCI EAFE up +13.07% versus a +12.23% gain in the MSCI Emerging Markets Index.

Bonds are universally positive year-to-date as the Bloomberg Barclays U.S. Aggregate is up +2.97%. Interest rates have declined from the levels they began the year at, leading to longer maturing paper outperforming shorter. In addition, the spread between corporate bond and Treasury yields has narrowed, aiding the returns of corporate bonds. As such, high yield bonds are up a robust +8.78%. Specifically, 1-5 year credit has risen +2.72%, while 1-5 year municipals are up +1.52%, and 3-5 year Treasuries have gained +1.68%. The Bloomberg/ Barclays Long Credit Index has increased +8.52% versus a gain of +3.42% in 10-year municipals and +2.71% in the Bloomberg/ Barclays 10-20 year Treasury Index. TIPS have increased +3.54%. World government bonds appreciated +1.24%, in dollar terms, while emerging market debt has been strong up +5.37%.

Real assets reversed last year's challenging performance and have skyrocketed year-to-date. Results have been fueled by crude oil, which is up +41.37%, as well as global and U.S. real estate, rising +14.27% and +15.50% respectively. The Philadelphia Stock Exchange Gold/Silver Index has appreciated +0.71%, while the Bloomberg Commodity Index has gained +5.88%. The dollar is up +1.36% on the year.

Alternatives are largely positive as the HFRX Equal Weighted Strategies Index is up +1.49% year-to-date. Among hedge fund strategies, the HFRX Equity Hedge Index appreciated +6.67%, as fundamental growth and fundamental value strategies are up +8.89% and +8.37% respectively. Market neutral strategies are the notable laggard having declined -1.06% year-to-date.

# INDEX RETURNS AS OF 4/30/2019

## BASIC INDEX RETURNS

| BASIC INDEX RETURNS | MONTH TO DATE RETURN | QUARTER TO DATE RETURN | YEAR TO DATE RETURN | LATEST 3 YEARS RETURN | LATEST 5 YEARS RETURN | LATEST 10 YEARS RETURN |
|---|---|---|---|---|---|---|
| **BALANCED INDEX** (50% ACWI, 35% US Gov. Cr 1-5, 5% HFRX, 5% commodity, 5% bill) | 1.79% | 1.79% | 8.99% | 20.25% | 19.85% | 86.41% |
| HFRX GLOBAL HEDGE FUND INDEX | 0.66% | 0.66% | 3.28% | 6.23% | -0.10% | 17.70% |
| CPI - SEASONALLY ADJUSTED | 0.00% | 0.00% | 0.56% | 6.39% | 7.57% | 19.48% |
| S&P 500 COMPOSITE | 4.05% | 4.05% | 18.25% | 51.59% | 73.32% | 316.02% |
| LIPPER LARGE - CAP CORE | 4.18% | 4.18% | 17.22% | 48.43% | 63.22% | 268.12% |
| WISDOM TREE LARGE CAP DIVIDEND | 3.52% | 3.52% | 16.44% | 44.66% | 64.17% | 307.30% |
| MSCI ALL COUNTRY WORLD INDEX NET | 3.38% | 3.38% | 15.96% | 38.10% | 39.99% | 186.77% |
| MSCI EAFE NET | 2.81% | 2.81% | 13.07% | 23.34% | 13.70% | 114.91% |
| BLOOMBERG BARCLAYS MUNICIPAL BOND 5Y (4 - 6) | 0.03% | 0.03% | 2.14% | 4.98% | 11.04% | 34.63% |
| BLOOMBERG BARCLAYS US AGGREGATE | 0.03% | 0.03% | 2.97% | 5.83% | 13.55% | 44.07% |
| ICE BANK OF AMERICA / MERRILL LYNCH US T - BILL 3MONTH | 0.20% | 0.20% | 0.79% | 3.79% | 3.97% | 4.55% |

## EXTENDED INDEX RETURNS

| EXTENDED INDEX RETURNS | MONTH TO DATE RETURN | QUARTER TO DATE RETURN | YEAR TO DATE RETURN | LATEST 3 YEARS RETURN | LATEST 5 YEARS RETURN | LATEST 10 YEARS RETURN |
|---|---|---|---|---|---|---|
| RUSSELL 1000 GROWTH | 4.52% | 4.52% | 21.35% | 66.91% | 96.83% | 378.97% |
| RUSSELL 1000 VALUE | 3.55% | 3.55% | 15.90% | 36.64% | 48.76% | 262.84% |
| RUSSELL MIDCAP GROWTH | 4.50% | 4.50% | 25.00% | 59.26% | 77.80% | 362.96% |
| RUSSELL MIDCAP VALUE | 3.29% | 3.29% | 18.14% | 32.78% | 45.76% | 303.85% |
| RUSSELL SMALL CAP COMP GROWTH | 3.46% | 3.46% | 22.57% | 64.56% | 73.97% | 372.86% |
| RUSSELL SMALL CAP COMP VALUE | 4.20% | 4.20% | 18.26% | 35.60% | 40.34% | 255.86% |
| MSCI EM (EMERGING MARKETS) NET | 2.11% | 2.11% | 12.23% | 37.69% | 21.91% | 106.18% |
| BLOOMBERG BARCLAYS US TREASURY BILL 6 MONTH | 0.20% | 0.20% | 0.86% | 4.23% | 4.86% | 6.31% |
| BLOOMBERG BARCLAYS US AGENCY | 0.05% | 0.05% | 1.87% | 4.70% | 10.06% | 25.27% |
| JP MORGAN EMERGING MARKET BOND INDEX(EMBI) + COMPOSITE | -0.74% | -0.74% | 5.37% | 9.74% | 21.47% | 97.69% |
| CITI GROUP WORLD GOVERNMENT BOND | -0.50% | -0.50% | 1.24% | 1.10% | 1.37% | 23.67% |
| BLOOMBERG COMMODITY | -0.42% | -0.42% | 5.88% | -1.97% | -39.06% | -23.71% |
| ALERIAN ENERGY MLP | -1.33% | -1.33% | 15.27% | 4.91% | -25.74% | 133.14% |
| PHILADELPHIA STOCK EXCHANGE GOLD / SILVER | -6.81% | -6.81% | 0.71% | -23.36% | -22.87% | -40.71% |
| LIPPER GLOBL NAT RES | 0.69% | 0.69% | 14.12% | 2.81% | -22.00% | 32.32% |
| LIPPER PRECIOUS METAL FUND | -6.24% | -6.24% | 0.70% | -19.63% | -14.58% | -17.89% |
| MSCI WORLD REAL ESTATE | -1.51% | -1.51% | 14.27% | 20.62% | 37.23% | 202.34% |
| LIPPER REAL ESTATE FUND | 0.48% | 0.48% | 16.44% | 22.40% | 45.96% | 230.01% |

Note: The data is cumulative not annualized. All data in U.S. dollars.

# MARKET REVIEW

## CONCLUSION

We reiterate virtually the same paragraph from last month here. Much has changed in early 2019. Central banks, only recently committed to years of tightening/normalization, have again loosened policy. This has had the predictable result of global market rallies across virtually all asset classes. What had appeared to be a slow, years' long embrace of quantitative tightening (QT) ended abruptly and quantitative easing (QE) resumed, although at a more moderate pace.

What this means is that the current elongated cycle now has some greater chance of continuing. However, we are seeing diminishing marginal utility in QE moves so that it will take more and more to accomplish less. As well, few countries have amassed the tools which might be needed to combat the next slowdown. Hence, additional gains now are probably borrowing from the future.

Since it is impossible to predict the future we will continue to rebalance portfolios back in line with asset allocations that are correct for your risk tolerance and situation.

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