MARCH 31, 2019
ECONOMIC UPDATE

FINANCIAL MARKET UPDATE

Markets go through periods of volatility each year, and often recover soon after showing the need to maintain discipline and stay the course. This past market correction in late-2018 was no exception, and markets rebounded strongly off their December lows to start the new year. Progress on trade negotiations, and accomodative signals from the Federal Reserve created a positive environment that saw all asset classes stage a recovery. After rallying during the market turmoil in the 4th quarter, Fixed Income had another strong quarter as interest rate levels continued to decline. Equities posted strong results both domestically and internationally, and diversifiers such as Real Estate and Infrastructure were among the strongest perfomers returning 15.9% and 13.8% respectively to top the US market. The S&P 500 had its best single quarter since the 3rd quarter of 2009.

As at the beginning of the year, a great deal of geopolitical uncertainty remains and while the expansion carries on, growth has moderated. There continues to be market opportunities, but we also expect that to come with higher levels of volatility as is typical during a late-cycle market environment.

Asset Class	1st Quarter Return
Core Bonds	2.3%
Multisector Bonds	4.2%
US Large Cap	13.6%
US Mid Cap	14.5%
US Small Cap	11.6%
Developed International	10.0%
Emerging Markets	9.9%
Equity Alternatives	4.2%
Infrastructure	13.8%
Real Estate	15.9%
Commodities	6.3%

FEDERAL RESERVE

The Fed switched to a more accommodative stance at their March meeting, electing to not raise interest rates and indicating that it may not recommend any further hikes for the year. The Fed has displayed a patient approach to monetary policy thus far in 2019, citing a milder growth climate and muted inflation pressure, eliminating an immediate need for rate hikes.

EMPLOYMENT

The US economy gained 196,000 jobs in March, marking a rebound from the lackluster reading of 33,000 jobs added in February. Many analysts view the February reading as an anomaly and see steady job growth, albeit at a slower pace than 2018.

Unemployment remained steady at 3.8%, and there are more job openings than unemployed workers, reflecting the tightness of the US labor market.

GROSS DOMESTIC PRODUCT (GDP)

US GDP grew at 3% on an annual basis for 2018. The growth rate peaked in the 2nd quarter and showed signs of slowing in subsequent quarters as one-time impacts from fiscal policy faded. The US economy is projected to grow at a pace of 2% in 2019, and the probability of a recession or significant economic slowdown remains low in the near term.

EVENTS ON THE HORIZON

There are several events in 2019 that could move markets:

- The March 1st negotiation deadline for US and Chinese trade talks came and went with no resolution. Talks remain ongoing and we could see some clarity on a trade deal this quarter
- Brexit talks continued past their March 29th deadline, and the EU has granted Prime Minister May until October 31st to reach an agreement

We are monitoring the developments of these events and their impact for our clients and continue to emphasize investments with a focus on quality in this market environment.