

Wealth
Management

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The Markets

Stock and bond markets rallied.

Last week, major U.S. stock indices finished higher for the 10th time in 12 weeks. Bond markets moved higher, too, with the yield on 10-year Treasuries dropping just below 2.6 percent, reported Randall Forsyth of *Barron's*. Yields on 10-year Treasuries haven't been this low since January 2018.

The simultaneous rallies are curious because improving share prices are often an indication of a strong or strengthening economy. Improving bond prices tend to be a sign of weakening economic growth, reported Michael Santoli of *CNBC*.

Why are U.S. stock and bond markets telling different stories?

It may have something to do with investor uncertainty. A lot of important issues remain unsettled. The British government appears incapable of resolving Brexit issues, the United States and China have not yet reached a trade agreement, and recent economic reports have caused investors to take a hard look at the U.S. economy.

Barron's pointed out investors appear to be hedging their bets by favoring in utilities and other stocks that have bond-like characteristics and participate in the stock market's gains. An investment strategist cited by *Barron's* explained:

"The strength in utilities reflects the attitude of investors who 'don't really buy the rally'... While they're skittish, they still want to participate in the stock market rally but opt for its most conservative sector."

We've seen this before with stocks and bonds, according to a financial strategist cited by Patti Domm of *CNBC*. "It's a little bit of a funky correlation. We've had both things rallying, which is strange. This is what happened in 2017, when all asset classes did well. In 2018, nothing did well... I would suspect it goes away soon."

Times like these illustrate the importance of having a well-diversified portfolio.

Data as of 3/15/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.9%	13.0%	2.7%	11.9%	8.7%	14.1%
Dow Jones Global ex-U.S.	2.6	9.9	-8.7	6.4	1.0	7.1
10-year Treasury Note (Yield Only)	2.6	NA	2.9	2.0	2.7	3.0
Gold (per ounce)	0.5	1.7	0.7	1.9	-1.1	3.6
Bloomberg Commodity Index	1.4	6.3	-6.6	1.2	-9.5	-2.7
DJ Equity All REIT Total Return Index	2.3	14.7	18.0	8.6	9.7	19.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

GEN XERS AND MILLENNIALS: WHAT ARE YOUR PRIORITIES? The *2018 Insights on Wealth and Worth* survey provided some startling information about the priorities of high net worth (HNW) investors. More than one-half

(54 percent) indicated long-term capital appreciation was a higher priority than income generation. The other 46 percent were looking for steady income.

Let's look at the percentages by age group:

- Millennials: 56 percent capital appreciation / 44 percent steady income
- Gen X: 56 percent capital appreciation / 44 percent steady income
- Baby Boomers: 56 percent capital appreciation / 44 percent steady income
- Silent Generation: 46 percent capital appreciation / 54 percent steady income

Millennials (ages 21 to 37), Gen Xers (ages 38 to 53), and Baby Boomers (ages 54 to 72) prioritize steady long-term income to the same extent.

Older investors, who are near or are in retirement, tend to emphasize steady long-term income because they need to maintain their standard of living in retirement. However, one of the advantages of youth is these investors have the time and flexibility to take on higher levels of risk and recover from any market downturns. In other words, younger investors prioritize capital appreciation (i.e., growth) while older investors prioritize income.

It's important for younger investors to consider their life goals and how their finances may support the pursuit of those goals.

Weekly Focus – Think About It

“There are risks and costs to action. But they are far less than the long range risks of comfortable inaction.”

--John F. Kennedy, 35th President of the United States

Best regards,



Ann Marie Etergino, CIMA®
Managing Director – Financial Advisor

**The Etergino Group at
RBC Wealth Management**

5425 Wisconsin Avenue, Suite 301
Chevy Chase, MD 20815
Tel: (301) 907-2772 | Toll: (800) 368-3880
Website: www.eterginogroup.com

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 - Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
 - *Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
 - The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
 - The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
 - The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
 - Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
 - The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
 - The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
 - Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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