RBC Wealth Management

The Winslow Group
1700 Pennsylvania Ave, NW | STE 700
Washington, DC 20006
Phone: 202-661-9511
Fax: 202-661-9706
https://us.rbcwm.com/thewinslowgroup

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This quarter was chock-full of distractions, which affected the markets mostly as harbingers of a future slowdown or recession. The government re-opened after the longest shutdown in history. We have daily news updates on Brexit and China trade talks. In addition, many politicians have turned into Monday Morning Quarterbacks regarding the Federal Reserve and their policy on interest rates.

This quarter marked the end of the hefty tax refund. The Treasury Department reported that average refunds ($1,949) during the first two weeks of tax-filing season were down 8.7% from the same period last year, despite the average American receiving a $1,600 tax cut. These cuts increased take home pay, which explains why Americans didn't get the refunds they expected. Americans love their tax refunds, even though it means that someone else has been holding their money without paying any interest.

Theresa May's Brexit proposals were spurned several times – it's curious, paradoxical even, that the UK wants to leave the EU, since it was Great Britain that invented globalism, which is represented by an era when the sun never seemed to set on the British empire (there's some talk of a "flextension" where the UK would remain in a customs union for the next two years, thus making the divorce easier on the kids).

China was a great concern causing the markets to gyrate, but China distracted us from slowdowns in Japan and Germany. Chinese tariffs increased consumer inflation by 0.01% according to the Federal Reserve. The stock markets want a deal, but what gets lost in all the talk is that China doesn't compete. It steals. It is estimated that Chinese theft of American intellectual property was between $225 and $600 billion. Beijing is trying to set the standard for 5G communication, artificial intelligence and quantum computing. If it accomplishes these goals, it will be able to write the rules in ways that we may never be able to match.

The World Wide Web reached its thirtieth anniversary. Then, we were thrilled by email. Today, we have to contend with Russian bots influencing our elections and Kardashians influencing our purchases. However, the web has provided the foundation and engine for much of the US economy. The economic recovery celebrated its tenth year – in that time, 21 million new jobs were created and the unemployment rate has plunged from a high of 10% in October 2009 to 3.8% now.

The bull market that began on March 9, 2009 ranks among the great rallies in stock-market history. The 300-plus% surge in the S&P 500 is the index's second best run ever. It has generated more than $30 trillion in wealth. Adjusted for inflation, this is the most created during any bull run on record, edging out the $25 trillion in gains from December 1987 to March 2000, which ended with the popping of the dot-com bubble.

This quarter the Fed announced there would be no interest rate hikes, which explains why all major indices had strong returns in the first quarter. The Dow was up 11.81%, the S&P 500 gained 13.65% and the NASDAQ returned 16.81%. If there is a rate cut – as some anticipate – we could see stocks go higher despite a slowdown in corporate profit growth. Part of the problem is that there's no tax cut to fuel an earnings boom. Last year, S&P companies celebrated 20% profit growth – one of the best growth rates since 2007. This is in comparison to the 3.7% projection of profit growth for 2019. In addition, many of these companies are trading at multiples (16.7 times) that are comparable to where they were trading in early October before the fourth-quarter sell-off.

Yet, there's momentum in the market. The proportion of S&P 500 companies trading above their 200-day average has climbed steadily, hitting 67% at the end of the 1st quarter. That compares favorably to the 63% at the end of September when stocks were near record highs. Maybe we can apply Newton's first law of motion, which states, in part: "…an object in motion stays in motion with the same speed and in the same direction unless acted upon by an unbalanced force." With the stock market, we are vigilant to monitor for unbalanced forces—China, Brexit, changes in interest rates, and earnings misses are just a few examples.

The Fed may cut rates. Perhaps there will be a trade deal with China. We may even see an infrastructure program coming out of Congress or some other stimulus program. Recession is not inevitable. Australia has avoided one for 28 years. Everything else is a distraction. We remind ourselves that history "may not repeat itself, but it often rhymes".

We enter this quarter well aware of the 10th anniversary of our bull market and mindful that stocks do not go straight up. We are reducing risk in some of our portfolios, where appropriate, and we are focused on the rising dividends from the blue-chip stocks that are the foundation of our investment strategy.

Spring is here and we hope that you enjoy the fine weather, good baseball and, perhaps, some flowers blooming in your portfolio.

All the best,

Susan M. Hovanec, CFP®
Senior Vice President-
Financial Advisor
Senior Portfolio Manager-
Portfolio Focus

Steven R. Whittaker, CFP®
Senior Financial Associate-
The Winslow Group

Quarterly Focus: Our focus subject for this quarter is the importance of multi-generational planning. We believe that it is vital to educate and inform young adults on the importance of investing and financial planning. Some key topics include: balancing a budget, the power of compounding interest, funding an IRA, and paying off debts. The reward of starting an investment program (and adding to it) when you are young is powerful over time. We are happy to talk with any youngsters in your family about these topics. Please reach out to our team to discuss this.

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***All Market/Economic Data has been obtained from RBC Wealth Management, NY Times & WSJ.