The Stonebridge Market Commentary

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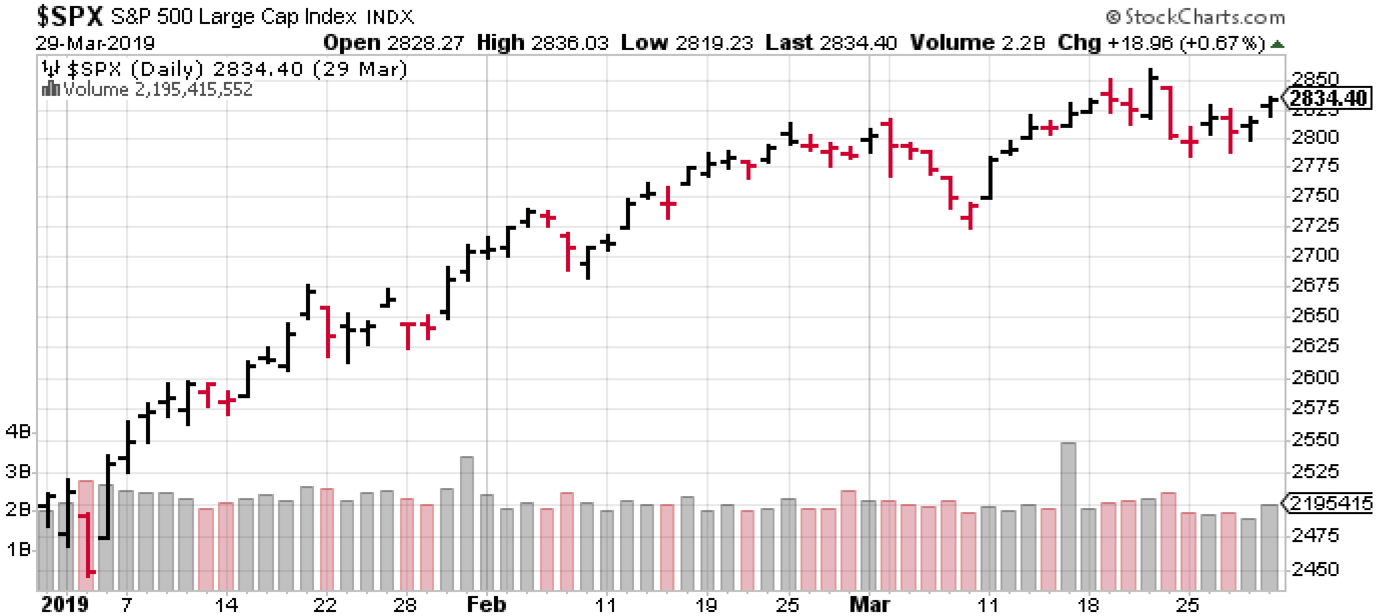

Equity Market Commentary

Most of the month was spent back to the 2900 level on the S&P, a level last seen on October 10th during the fall meltdown. The month continues to be positive with the S&P at 1.79%. The Dow came in flat with a tally of 0.17%. The big winner was the NASDAQ taking the checkered flag with a 2.61% return for the month. The year-to-date numbers are even better with the S&P at 13.07%, the Dow at 11.81% and the NASDAQ at 16.49%.

Overall the month was a momentous one with a few of the market worries sidelined. The Fed has stopped their interest rate rise policy and the Muller investigation completed.

On the other hand, and there is always another hand, the Brexit deal is still unresolved and the economy has slowed a bit, not only here in the U.S. but internationally as well. The item that has worried the markets of late is that the yield curve temporarily inverted, with the three month Treasury bill having a higher yield than the 10 year. Another definition of inversion featuring the two year eclipsing the ten year has not happened however.

One thing to watch in the second quarter is the volume and interest in upcoming IPO's, such as: Lyft, Uber, Airbnb, Slack, Palantir Technologies, Pinterest.

The exact timing of these offerings are unknown at this point but the first out of the gate, Lyft, may set the tone and pacing for the others. It will be interesting to watch as we have not had such a line up for a long time.

The dynamic seems to be, will the market's appetite for these new offerings be strong enough to pull new money in from the sidelines? Or will investors re-arrange the deck chairs by selling some Apple or Facebook to raise the money? As they say, stay tuned.

Fixed Income Market Commentary

So far, 2019 has been a great year for bonds. March performance capped off an already strong first quarter. However, it was the yield curve's gyrations during the month that were the biggest story of late. The Fed shifted its interest rate stance after its meeting this month, signaling that further rate hikes are unlikely this year. The market arguably took that further and began factoring in the expectation that a cut in rates may actually be in the cards. The Treasury curve inverted between 3-months and 10-years, with short rates briefly going higher than longer rates. The last time that happened was 2007.

Demand has surged further out on the curve (mostly 5 to 10-years) with the expectation that the likelihood of a recession in the next couple of years has increased and that the Fed will begin to lower interest rates in response. The strength in pricing continues to make it challenging for fixed income buyers looking to pick up relative bargains. Particularly in the tax-exempt market, as we mentioned last month, continued strong demand and muted supply has pushed yields on top-rated credits down to almost breakeven levels with Treasuries. Still, some areas of the curve offer some value over taxable and as a result the maturities we are targeting most right now are largely around 5 to 12 years. Municipals occasionally face pricing headwinds as we move closer to April 15th and investors raise cash to pay tax bills. However, given the current market dynamics of lighter supply and no let-up in demand, it might be surprising to see that occur this year.

Sources:
Data sourced through Bloomberg and Stockcharts.com