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AE WEALTH MANAGEMENT

WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: March 3 - 9, 2019

Market	YTD	2018	2017	2016	5 years
US Stocks (large cap) (SPY)	9.82%	-4.56%	21.70%	12.00%	10.00%
US Stocks (small cap) (IWM)	13.25%	-11.11%	14.59%	21.60%	6.29%
Foreign Stocks (dev) (EFA)	7.98%	-13.81%	25.10%	1.37%	1.68%
Foreign Stocks (EM) (EEM)	6.61%	-15.31%	37.28%	10.87%	3.19%
Foreign Stocks (frontier) (FM)	7.72%	-17.75%	36.19%	2.02%	0.40%
US Bonds (AGG)	1.39%	0.10%	3.61%	2.41%	2.49%
Global Bonds (FWDB)	4.28%	-2.76%	6.13%	6.21%	2.96%
US Bonds (HY) (HYG)	5.88%	-2.02%	6.07%	13.41%	3.38%
US REIT (IYR)	12.22%	-4.30%	9.34%	7.03%	8.45%
Foreign REIT (IFGL)	8.92%	-6.37%	20.02%	1.42%	4.00%
Gold (GLD)	1.31%	-1.94%	12.81%	8.03%	-0.99%
Commodities (DBC)	8.83%	-11.62%	4.86%	18.56%	-9.48%

TEN YEARS ON

The jobs report released on March 6, 2009 was a disaster: The U.S. economy lost a staggering 651,000 jobs that February. This was on top of job losses in January of 655,000 and in December 2008 of 681,000 – the single worst month for jobs in 60 years. The unemployment rate came in at 8.1 percent, a 25-year high.

That same day, the S&P 500 fell to a low of 666.79, and the Dow dropped to 6,469.96. Adjusted for inflation, that's unchanged from the Dow's peak 43 years before, essentially reflecting 43 years of no gains.

On March 9, 2009, the S&P 500 closed at 676.53. Since then, the market has more than quadrupled. Including dividends, it's up fivefold for an amazing 17.37 percent annualized. Oh, the power of compound interest!

The best time to invest in a generation was an incredibly hard time to invest. The news was horrible and stocks were on sale, but "experts" were calling for things to get much, much worse.

Every light was flashing red. The VIX was at 50! The market close of 676.53 on March 9, 2009 still stands as the lowest close this century. But even though things looked bad, within a month the S&P 500 had soared 25 percent, and the index gained 70 percent in less than a year. By March 2010, Dr. Robert Shiller, a Nobel Prize-winning economist, said the market was due for a pullback, an idea that has been reiterated many times since.

On March 6, 2000, then-Fed Chairman Alan Greenspan seemed to endorse the stratospheric prices of tech stocks at a Boston College economic conference, following years of warning that stock prices were too high. Just four days later, on March 10, 2000, the Nasdaq peaked and then began tumbling in what was then the worst market crash since 1929.

Bottom line: If you think you (or anyone) can expect to predict the market, thing again.

THE WEEK IN REVIEW
Domestic stocks performed poorly last week, with the major indexes generally suffering their first down week of the year. Smaller cap indexes, which are typically more volatile, fared worst. The S&P 500 slipped below its 200-day moving average, a threshold many tactical managers watch closely.

Within the S&P 500, the interest rate-sensitive real estate and utilities sectors fared best, as longer-term bond yields decreased to their lowest levels since the start of the year. Energy stocks were among the worst performers, pulled down by oil prices, and industries suffered from deepening concerns over a global slowdown. Health care shares also performed poorly, and transportation stocks were also notably weak. The Dow Jones Transportation Average recorded its longest stretch of daily declines in nearly 50 years.

A variety of troublesome signs about the health of the global economy weighed on sentiment throughout last week. The most pronounced indicator may have been the decision by the European Central Bank (ECB) to inject further liquidity into the eurozone's banking system in efforts to spur loan growth and economic activity. China announced new fiscal stimulus directed at its manufacturing sector, further unsettling traders.

Hopes that a U.S.-China trade deal would soon be reached seemed to fade as the week progressed. Stock futures rose on Monday morning following a report in "The Wall Street Journal" that a deal might be finalized as early as March 27. However, no further reports of substantive progress emerged later in the week.

Domestic economic data were generally upbeat for the week. Gauges of both service and manufacturing activity in February indicated solid expansion, and December new home sales rose, defying expectations for a sharp drop.

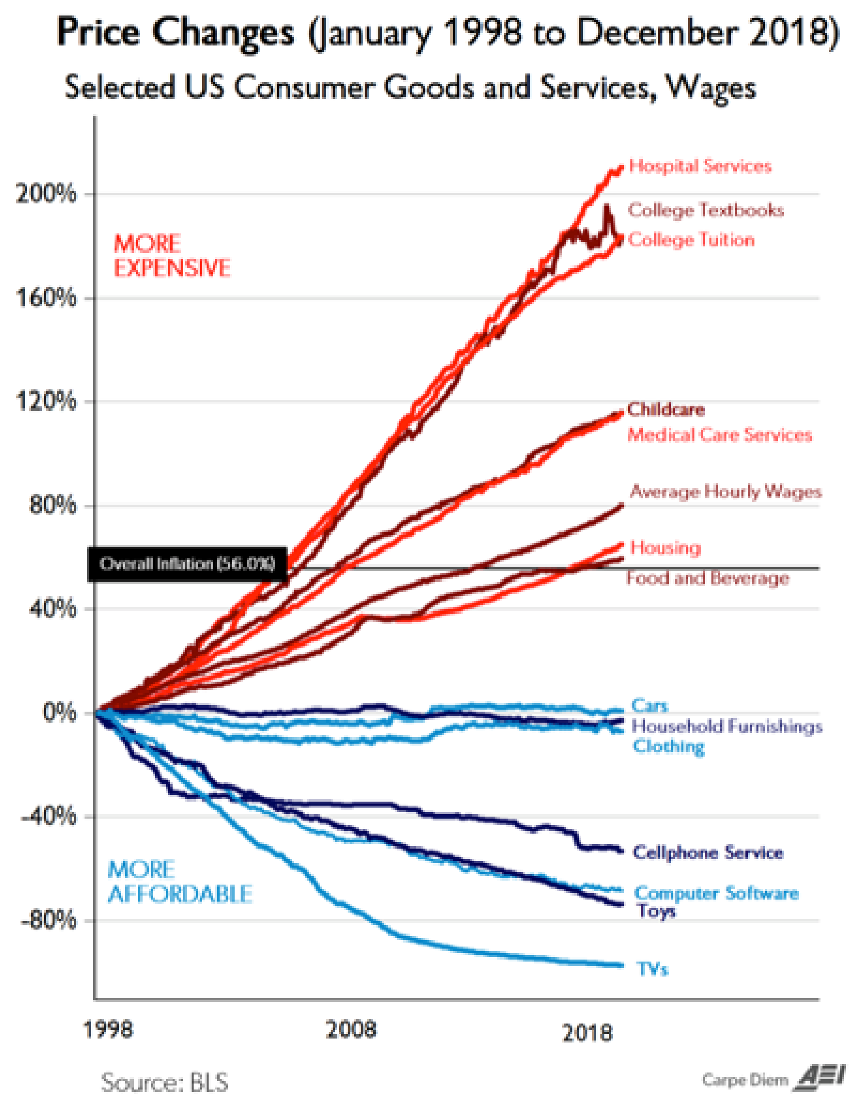
The unemployment rate declined in February, but hiring growth slowed significantly, a sign employers could be struggling to find workers as the labor market tightens. U.S. nonfarm payrolls rose a seasonally adjusted 20,000 in February, and the unemployment rate was at 3.8 percent. Wages rose 3.4 percent from the prior year, the best pace in a decade. The consensus view seems to be that the economy is slowing from last year’s 3 percent pace, but the job market isn’t giving signs of trouble.

The yield on the benchmark 10-year Treasury note decreased substantially throughout the week, touching its lowest point since January 4 on Friday and closing the week at 2.62 percent. The decrease was in response to the ECB decision and continued dovish remarks from Fed officials.

Overseas, the pan-European STOXX Europe 600 fell after the ECB news. The move seemed to highlight the negative impact that trade tensions and geopolitical concerns are having on growth, both in the eurozone and globally.

Mainland Chinese stocks had a roller coaster week and ended lower. For the week, the Shanghai Composite dropped 0.8 percent, while the large cap CSI 300, China’s blue-chip index, fell 2.5 percent. In Japan, the Nikkei 225 fell 2.7 percent for the week.

CHART OF THE WEEK



Source: BLS

FROM THE HEADLINES

- The federal budget deficit grew 77 percent in the first four months of fiscal year 2019, compared with the same period one year earlier. The total deficient for the four-month period ballooned to $310 billion amid falling tax revenue and higher spending.

- The Organization for Economic Cooperation and Development (OECD) cut its global growth forecasts again in its semi-annual report, citing “policy uncertainty, ongoing trade tensions, and a further erosion of business and consumer confidence.”

- China exports plunged 21 percent in February, compared with the same period in 2018. That’s the weakest performance in three years and was worse than economists had predicted.

- A recent Gallup poll shows 77 percent of Americans think the NATO alliance should be maintained.

- North Korea's Sohae rocket launch site is back to "normal operational status" just one week after the Hanoi summit ended in no deal.
- House democrats proposed legislation to tax securities transactions.
- Merrill Lynch is planning for its customers to live to 100.
- Forbes released its annual list of billionaires.
- American consumers have paid $69 billion in added costs because of tariffs the U.S. imposed last year.
- Investors are putting money into emerging markets at the fastest clip in a year.
- America's least favorite company? The U.S. government.
- Fraudsters are targeting financial advisors in order to obtain client information and steal their money.
- Mark Zuckerberg announced a new focus on privacy at Facebook.
- Theresa May says Brexit might not happen.
- JP Morgan released its "Guide to RetirementSM" 2019 edition.

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