



THE

WEALTH ADVANTAGE

WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: April 28 - May 4, 2019

Index Performance Return (%)					
	1 WK	YTD	1YR	3 YRS	5YRS
S&P 500:	0.22%	18.26%	14.28%	14.91%	11.66%
S&P MidCap 400:	0.38%	19.71%	7.54%	12.64%	9.51%
Russell 2000:	1.42%	20.19%	5.80%	14.45%	8.90%
NASDAQ:	0.37%	23.04%	15.18%	19.67%	14.64%
MSCI ACWI:	0.21%	15.18%	3.92%	9.50%	4.82%
MSCI EAFE:	0.29%	13.00%	-2.54%	7.72%	2.53%

Source: Morningstar

Interest Rates:		
	5/3/2019	4/26/2019
UST 10-YR Govern	2.56%	2.50%
German 10 YR:	0.03%	-0.02%
Japan 10 YR:	-0.04%	-0.04%
30 YR Mortgage	4.07%	4.04%
Oil	\$61.84/ppb	\$63.30/ppb
Regular Gas	\$2.903/ppg	\$2.896/ppg

Source: Bloomberg

All data as of May 3, 2019

The Walking Fed

Federal Reserve officials agreed to [hold their benchmark interest rate steady](#) Wednesday and noted some key economic activity had slowed during the first quarter. Officials mostly looked past last weeks report of stronger-than-

expected growth in gross domestic product during the January to March period by focusing on an underlying slowdown in household spending and business investment.

The Fed also noted how inflation, after excluding volatile food and energy categories, was running below the central banks 2% target, a [potentially troubling development](#) if it persists.

The markets were expecting some language from the Fed indicating it would look to lower rates in the near term, turning negative after Fed Chair Jerome Powells press conference on Wednesday and continuing the slide into Thursday. Bond traders had priced in about a 65% chance that the Fed would cut rates this year.

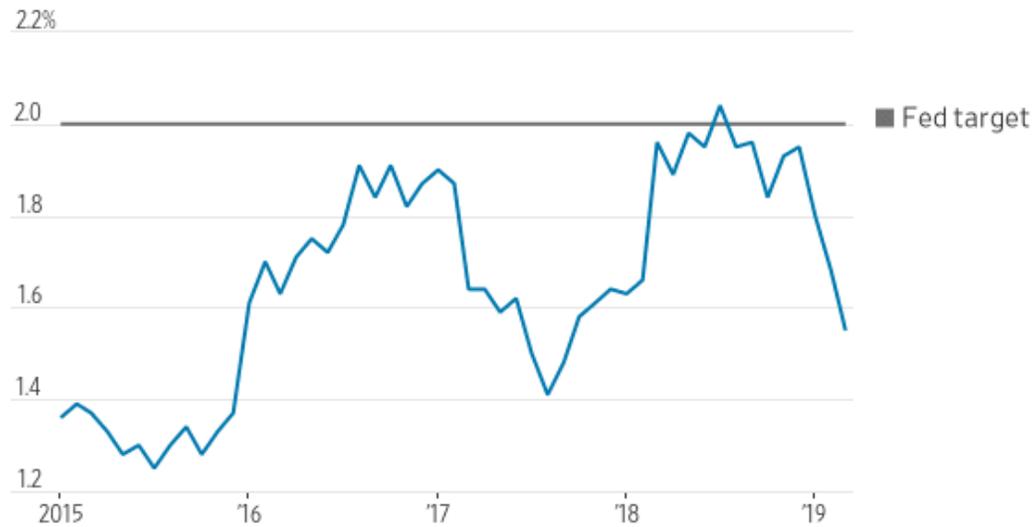
The stingy Fed did not lower rates, despite President Trumps tweets or what bond traders wanted. Trump was arguing for a [1% cut in the Fed Funds rate](#). How could the Fed cut rates when we just posted +3.2% GDP growth in Q1, which is traditionally a weak quarter? If anything, the Fed is looking for any reason not to raise rates by focusing on household and business spending. As the economy continues to grow in Q2 and Q3 both of which are traditionally stronger than Q1 those two factors will cease to be a concern and an argument could be made that rates should increase to keep the economy from overheating.

Since Chairman Powell signaled flexibility with interest rates for the first time this year on Jan. 4, the S&P 500 has risen 20% and only logged two one-day declines of more than 1%.

For the month of April, the S&P 500 posted a gain of +4.05%, and the Dow Jones Industrial Average gained +2.6%. The Nasdaq Composite and the Russell 2000 also gained +4.7% and +3.3%, respectively. Not a bad month!

Finally, there is [no inflation anywhere to be seen](#). It seems like nirvana: low inflation, strong growth, and rising markets.

Core inflation: Change from a year earlier in the personal-consumption-expenditures price index excluding food and energy



Source: Commerce Department

Jobs report gives the market a Friday lift

As I mentioned last week, consensus was calling for +196,000 new non-farm payrolls for April. On Friday, the [actual number came in at +263,000](#), proving that Q1 economic strength was not a fluke. In fact, the economy has created an average of over +180,000 new jobs per month in 2019, a far cry from the dismal predication that we were headed toward recession earlier this year. The unemployment rate now stands at 3.6% (the lowest since December 1969) versus estimates that it would remain at 3.8%. Private sector wage growth is also picking up, coming in at 3.2% year-over-year and matching last months increase.

Grin and Barr It

In a letter made public just before Attorney General William Barrs testimony before Congress, Special Counsel Robert Mueller said Barrs summary of the findings of the Russia investigation did not fully capture the context, nature and substance of the probe. Mr. Barr then participated in a heated exchange before the Republican-controlled Senate Judiciary Committee on Wednesday. He sparred with Democratic senators, who shifted from asking questions to trying to [score political points for their respective 2020 presidential campaigns](#). Some committee Democrats called for Mr. Barr to resign, while Republicans on the committee wanted to investigate how the Russia investigation got started.

Regardless of how you feel about the Mueller investigation or Mr. Barr, the whole episode showed once more just how polarized and dysfunctional our nations politics have become. (The word circus just keeps popping up.) No one could blame Mr. Barr for taking a mental health day, as he said he would be

[skipping his scheduled testimony](#) before the Democrat-controlled House Judiciary Committee on Thursday. The hearing had the potential to be an even bigger circus than the Senate session if that's even possible so Mr. Barr decided to risk being held in contempt and skip the House party.

Google gags, while Apple disappoints and surprises

Tuesday was a bad day for Google, after parent company Alphabet posted its [slowest quarterly revenue growth since 2015](#) on Monday. Growing competition and struggles within YouTube have hurt Google's massive online advertising business. Alphabet shares fell 7% after hours, and the company's shares fell 7.5% on Tuesday, the stock's worst day since October 2012. The parent company's market value fell \$68 billion.

Apple reported its [first back-to-back decline in profit and revenue](#) in more than two years. However, the results exceeded estimates for quarterly profits and revenue, as sales of the iPhone, the biggest driver of Apple's business, fell 17% to about \$31 billion. But the company raised its dividend and said it planned to buy back more stock as its share price rose in after-hours trading. Through Tuesday's close, Apple's stock was up about 27% this year.

What if there was a revolution and no one showed up?

In Venezuela, opposition and National Assembly leader Juan Guaidó went to a military base in the nation's capital of Caracas to proclaim the end of President Nicolas Maduro's government and called for a military uprising. Hundreds of residents took to the streets to support him.

One thing is clear: so far, [Guaidó's attempt to overthrow the Maduro regime is not a success](#). His failure to win over the military meant the attempt to seize power was almost over before it even began. U.S. Secretary of State Mike Pompeo claimed that Maduro had planned to flee the country before his Russian allies convinced him to stay. [President Trump blamed Cuba for supporting the regime](#) and threatened a full and complete embargo ... on the island of Cuba.

This week: The Talking Fed

- Earnings begin winding down this week. So far, the earnings season hasn't been all smooth sailing. In fact, the S&P 500 is reporting its [first year-over-year decline in net profit margin](#) since 2016.
- On Thursday, Chairman Powell will be giving opening remarks at the

[Renewing the Promise of the Middle Class conference](#) in Washington, D.C. Lets hope he recovers his footing from last week.

- There will be at least one [Federal Reserve governor speaking every day](#) except Wednesday. Some governors will speak multiple times throughout the week, and it will be interesting to hear the various opinions (both hawkish and dovish) on where the Fed should be headed.

Have a great week!

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