BH | *Beech Hill Advisors*

January 2019 Market Update

Dear Clients,

Happily, equity markets have dramatically reversed course from the dismal fourth quarter of 2018. To provide context to the dramatic movement consider these statistics; from 10/4/18 to 12/24/18, almost the entire fourth quarter, the S&P 500 declined approximately 20% and from 12/24/18 to 1/31/19, just over a month, the same index increased approximately 15%. This was the best performance for the month of January in 32 years.

As we stated in our previous quarterly commentary, we "remained constructive but more cautious on expected investment returns". We maintain that stance as we have seen positive developments in our major areas of concern including hints of more productive discussions with China, a temporary resolution to the US government shutdown, and the US Federal Reserve Bank conveying a much more responsive and flexible future course of action. Paired with recent corporate quarterly earnings suggesting ongoing economic expansion, it was no surprise equity markets rose in the face of the aforementioned developments.

Going forward we are tempered optimists. We are adding floating rate corporate bonds to our income accounts to reduce volatility and protect principal. While the yields are not spectacular they do provide potential upside as the coupons float quarterly with the US LIBOR benchmark. For more growth and balanced portfolios we are right-sizing our concentrated positions in the appreciated high flyers in the technology and internet space as we believe size constraints and maturity limit potential upside although we still have a favorable bias. Additionally, we are paring positions with higher levels of debt, favoring balance sheets with cash, and business models generating generous levels of free cash flow, a measure of excess capital after the needs of the business have been met. These factors are typically found in high quality blue chip type names of which we are inclined to overweight going forward.

The extreme pessimism in the latter portion of 2018 has given way to guarded optimism. We believe continued prudent exposure will produce positive returns for our portfolios. As always, please do not hesitate to call if you have any questions.

Best regards,
Beech Hill Advisors