BH | *Beech Hill Advisors*

March 2019

Dear Clients,

The first quarter of 2019 saw a tremendous reversal in equity markets from the lows seen in late December. The S&P 500 has gained approximately 13% year to date and our portfolios have prospered as well. As we noted in our previous monthly commentaries, investor risk appetite has returned and gains were most pronounced in the Technology, Industrial and Consumer Discretionary segments indicating a belief that a recession is not in the near future. Investors have discounted the Brexit confusion, the government shutdown, and inclement winter weather and drove the equity indexes to new highs. Markets benefitted from additional support from the Fed as they signaled that they don't expect to raise rates again this year. Data points also continue to support domestic economic expansion. The latest Labor Department report saw better than projected job gains for March as well as revising January and February figures upward while maintaining our historically low 3.8% unemployment rate. Accordingly, economists have had to also increase their estimates of first-quarter gross domestic product growth from 1.3% to 2%. The index of consumer sentiment also came in better than expected at 98.4, well above the three year low reported in January of 91.2. All in all a welcome environment for US investors.

Although optimistic about future investment returns, we are not without concerns. Going forward it would not be a surprise if first quarter earnings reports have a few bumps as the aforementioned winter storms and government shutdown adversely impacted some companies. These hiccups will be temporary in nature and we believe the outlook for the second and third quarters continues to be positive. As a recessionary predictor, the inverted yield curve, when short term rates are higher than long term rates, did give us pause. However, the duration did not confirm the onset of a recession. We would like to see a growing yield spread as confirmation of ongoing economic growth. As we are now some ten years into an economic expansion and bull market, long by all historic standards, we know at some point the cycle will repeat and growth will slow and/or decline; we have just not seen the evidence as of yet.

In response to the rapid rise in the equity market, we raised cash levels in our portfolios towards the end of the quarter. We will patiently wait for better opportunities as market fluctuations provide improved entry prices. For our income portfolios, we have added floating rate notes to protect principal and reduce volatility. We anticipate adding to this asset class as rates move higher to more attractive levels. Strategically, we are consistent, favoring Technology, Industrial and Healthcare as strong relative growth rates and valuations continue to make them attractive for investment. We also anticipate a signed trade deal with China will provide lift and certainty for corporate chiefs hesitant to make decisions without clarity, benefitting many of our global portfolio positions. We remain tempered optimists.

As always, please do not hesitate to call if you have any questions.

Best regards,
Beech Hill Advisors