1ST QUARTER 2019 RETIREMENT PLAN NEWSLETTER

Current Issues and Trends for
Retirement Plan Participants

FAIRCOURT

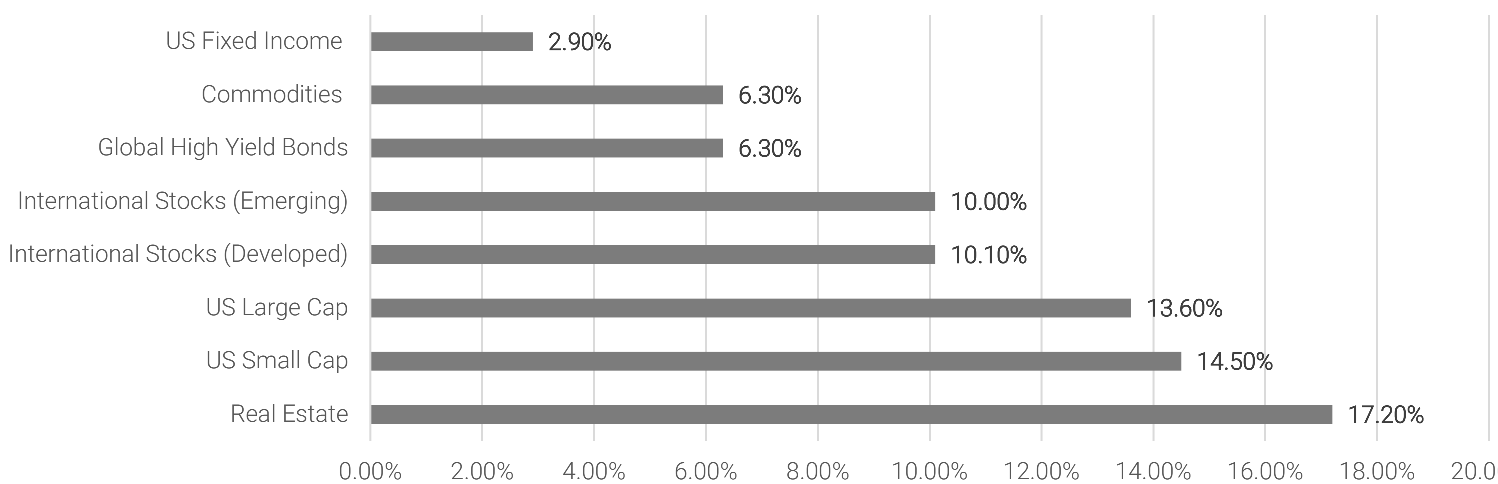
A rising tide lifts all boats

HOW DID MARKETS PERFORM IN THE 1ST QUARTER?

Markets rebounded enthusiastically from their fourth quarter 2018 turbulence, with US stocks posting their best quarterly growth in almost a decade. Major sources of unease—including trade tensions, a government shut-down, and investor uncertainty regarding the Federal Reserve—quieted in the first quarter, allowing investors to recover most of their year-end losses. Domestic small cap stocks led the surge higher, rising 14.6% since the start of the year. Large cap stocks were not far behind at 13.6%. Even international markets were feeling the love, with developed markets rising 10.1% and emerging markets 10.0% for the quarter.

As we note in our title, this quarter left many investors with the sense that a rising tide truly does lift all boats—not only was the stock market on a tear, but bond returns have showed continued strength. The Federal Reserve has signaled a softer-than-anticipated approach to further interest rate increases, and the Barclay's Aggregate Bond Index responded accordingly to close the quarter 2.94% in the green.

INVESTORS WERE WELL-COMPENSATED FOR RISK ASSETS IN Q1 2019*



WHAT MOVED MARKETS IN THE 1ST QUARTER?

Market optimism was primarily—and perhaps ironically—driven by the very factors that sparked uncertainty and fear at the end of 2018. Escalating tensions over a potential trade war with China cooled, with the Trump administration hitting pause on further tariff increases. The Federal Reserve, which has been following a well-communicated path of quarter-point interest-rate increases, responded to 2018 market turbulence by scaling back on both the scope and pace of further tightening. With US unemployment remaining at record lows, high consumer confidence, and solid earnings growth by companies, markets were free to resume the record-breaking growth that has been the hallmark of what is now the longest-running bull market in American history. The real question now is whether recent movements are a short-term symptom of investor optimism, or a longer-term indication of economic strength. As of this writing, signs point to the former.

**Data from JPMorgan Chase & Co. April 2019*

WHAT DOES THIS MEAN FOR RETIREMENT SAVERS?

It's not hard to find the silver lining in market growth for retirement savers and short-term investors alike. Market growth means account growth, plain and simple. What does require more discipline, however, is staying the course from a portfolio-allocation perspective. Sure, right now it might feel like an account comprised of 100% small cap US stocks is the way to go, but what happens when, inevitably, markets hit another turbulent patch? In times of growth as in times of distress, it is important to maintain a balanced portfolio appropriate for your age and timeline to retirement.

Questions about what that "appropriate portfolio" might be? Give us a call or shoot us an email—we're happy to chat!

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