MEDALLION WEALTH MANAGEMENT

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**April 2019 Market Commentary**

The Major League Baseball season is underway, the NCAA Men's Basketball Division I Tournament has just reached it exciting conclusion, and the Masters Tournament is underway, which means spring is officially here and we've Closed the books of the first quarter of 2019. Much like the University of Virginia men's basketball team, which shook off a dismal showing in the 2018 NCAA Men's Tournament, becoming the first number on seed in history to lose in the first round, only to come back and win it all in 2019, US equities rebounded in dramatic fashion from the 4Q18 sell-off, which culminated with the "Christmas Eve Massacre." Through the first three months of this year, the S&P 500 Index gained 13.07%, its best first quarter performance since 1998, and was accompanied by strong showings from the Dow and the Nasdaq Composite, which gained 11.15% and 16.49%, respectively. The first quarter surge was not limited to domestic equities, as both international developed and emerging market equities gained approximately 10% to start the year.

Similar to the Virginia Cavaliers' march to the NCAA crown, the markets' first quarter ascent did not come without a few tense moments. Concerns that the Federal Reserve might induce a recession by raising rates too aggressively were quickly replaced by concerns about an inverting yield curve, as a more dovish stance by the Federal Open Market Committee (FOMC) following its March meeting sent longer-term yields tumbling to 15 month lows and briefly pushed the 10 –year US Treasury yield below the three-month T-bill. However, the 10-year yield rebounded relatively quickly, aided by a "Goldilocks" March job report with higher-than-expected jobs creation easing recessionary concerns, but, without a significant increase in hourly wages which could foreshadow a pickup in inflation and alter the Fed's calculus on the pace of rate hikes. Meanwhile, Brexit and trade negotiations remain in the headlines and on the minds of both international and domestic investors. The market reaction to these concerns was relatively muted and as a result, the major US indices are on the verge of matching the all-time highs they reached in September/October 2018.

As we head into the second quarter of 2019 US equities remains the "number one seed," as it is the top-ranked asset class on a relative strength basis. From A style perspective, we continue to see market leadership from growth and the growth-oriented technology sector remains atop the relative strength rankings of US equity sectors. While growth remains the dominant style, there has been some noise under the surface, as sectors that typically tilt toward value, specifically utilities and real estate based investments, have gained relative strength. And as a result, we continue to keep an eye on these sectors, especially with regard to our income-focused portfolios, as utilities and real estate based investments have historically provided above-average dividend yields.

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