~ Prevailing Winds ~

CHARTER RESEARCH *and* INVESTMENT GROUP

A Quarterly Market Update ***March 31, 2019***

Quarterly Recap:

To the surprise of many, the first quarter of the new year has been a period of amazing turnarounds and recovery. Last year, we witnessed dramatic selloffs and perhaps unfounded belief that the entire stock universe revolved around a few and relatively young companies. The rebirth in bond and stock market prices has been robust and more importantly, broad spread. What we are beginning to see is a bit more normalcy. It may be that the markets have come too far, too fast. Still, it is encouraging to see both risk and return being measured in a fair manner.

Quarter Ending March 31, 2019

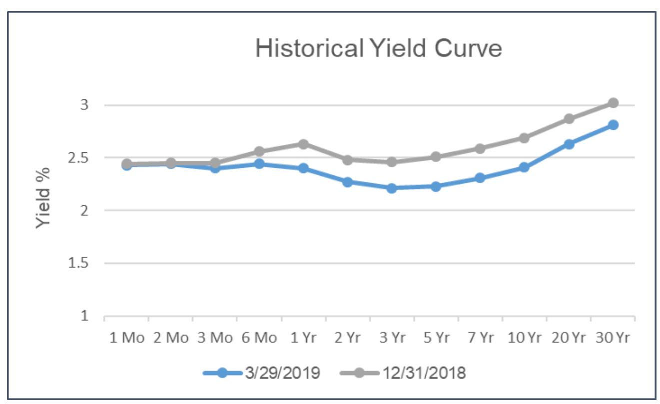
Equity Indexes	Close	% Change
DJIA	25928.68	11.2%
S&P 500	2834.40	13.1%
NASDAQ	7729.32	16.5%
Treasuries	**Close**	**Change**
10-Year Yield	2.41%	-0.28
2-Year Yield	2.27%	-0.21

The Stock Market:

The first few days of 2019 were just as rocky as the miserable month of December. However, a more dovish Fed and some softening in the U.S./China trade negotiations allowed investors to quickly regain their appetite for risk. While the expectation remains that the economy and corporate earnings will slow, the market seems more willing to accept uncertainty. Investors will closely watch corporate earnings for signs of further weakening. Opportunities for growth remain should some of the major trade disputes or other uncertainties be resolved.

The Stock Market:

In our last edition of "Prevailing Winds", we noted that interest rate policy was at an inflection point. During the first quarter, the Fed effectively capitulated to market pressure and several alarming data points. It is now abundantly clear that the Federal Reserve will adopt a more dovish stance. Some are even calling for the Fed to begin to lower interest rates. What has resulted is a odd-looking graph where short term rates (3 months) are actually higher than longer term rates (10 year). This is a partial "inverted curve" often feared as a signal of a pending recession.



Looking Ahead:

The stock market recovery has certainly been robust and is quite welcome. One of the lessons from 2018 is that we can never assume that short-term trends will continue. Given the lower interest rate structure, building fixed income portfolios will become more difficult. Higher equity prices and slowing corporate profits also mandates careful equity selection. Despite the challenges, we remain cautiously optimistic that the now lower interest rates will allow continued growth in terms of economic and corporate earnings.