~ Prevailing Winds ~

A Quarterly Market Update **June 30, 2019**

CHARTER RESEARCH and INVESTMENT GROUP

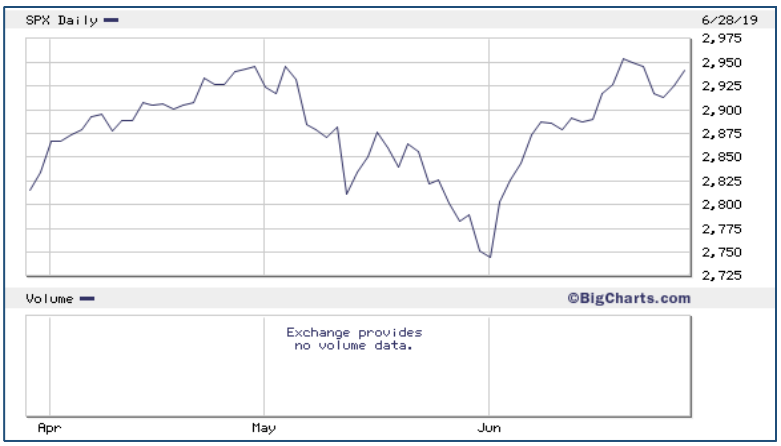
Quarterly Recap:

In our last edition, we commented that we were beginning to see a return to "normalcy". This trend continued throughout the second quarter. Unfortunately, "normal" often means inconsistent and unpredictable. Over the past three months, we have seen strong rallies as well as some dramatic shifts in sentiment. Thus, the second quarter was akin to a roller coaster ride. For some, the ride has been exciting. For many others, the ride has been more of a challenge. Gladly, progress was made despite the significant ups and downs.

Quarter Ending June 30, 2019

Equity Indexes	Close	% Change
DJIA	26599.96	2.6%
S&P 500	2941.76	3.8%
NASDAQ	8006.24	3.6%

Treasuries	Close	Change
10-Year Yield	2.00%	-0.41
2-Year Yield	1.75%	-0.52

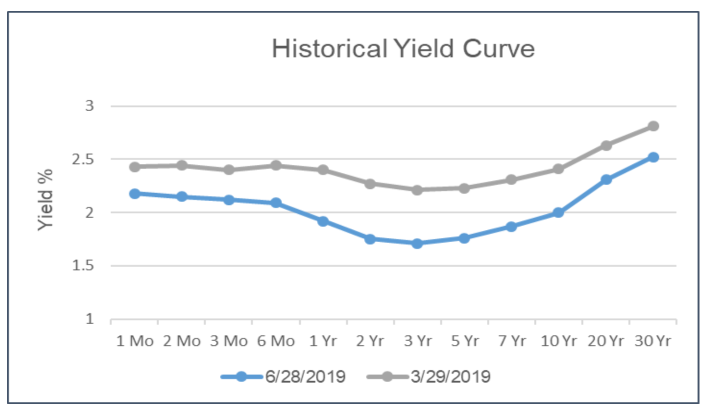


The Stock Market:

Following continued strength in April, equity markets largely succumbed to the onslaught of negative economic statistics. The pace of the decline quickened in May following an escalation in the trade dispute between the U.S. and China. Global banks then began a somewhat coordinated response to assure investors that they were prepared to increase liquidity to ward off a significant economic decline. Investors responded in June, believing that lower rates would fuel growth. The second quarter did not lack excitement.

The Bond Market:

The Federal Reserve has a direct influence over short term rates. In contrast, bond investors largely determine longer term rates. Following the breakdown in the U.S./China negotiations, we saw a consensus form that led to a reduction in interest rates across all maturities. Simply put, the Fed and the market became even more concerned about a slowdown in growth in late 2019 or early 2020. This also explains the partially inverted yield curve. While this situation could reverse quickly, we are back in a world of low rates for perhaps a protracted period of time.



Looking Ahead:

At the halfway point in the year, we are pleased by the strength of the market's recovery following a challenging 2018. While there are reasons supporting the notion that the markets can remain strong for the second half, the path forward may prove to be a more difficult climb. Catalysts exist in the form of an accommodative global banking system and robust corporate earnings. However, we are mindful of current valuations and geopolitical risk. Our approach will need to be balanced in recognition of the current environment.