TOTH FINANCIAL

April 2019 Market Commentary

Reminder that April 27, 2019 is our annual Client Appreciation Day brunch at Lansdowne Country Club. The speaker this year is Jeff Skiles, Co-Pilot of U.S. Airways Flight 1549, "The Miracle on the Hudson".

Starting this summer, we will begin rolling out our secure online client portal to all clients. This will allow for daily portfolio reporting and secure document exchange capabilities.

In our opening commentary for 2019, we projected this year to be volatile. Fortunately, it's started off recovering from the lows reached on December 24th. At the end of the first quarter, the S&P 500 is up 13.07% (up 20.56% from the December 24 lows).

Warren Buffett, is famous for the quote "Be fearful when others are greedy, and greedy when others are fearful." It certainly feels as if there is no end to the number of negative headlines and angst that has taken hold of investors. Fresh in our memory is the December 2018 correction (S&P 500 down 20.05%), headlines of global growth slowdown, the ongoing trade conflict with China, threat of additional tariffs, persistent political infighting, BREXIT uncertainty, the recent inversion of the yield curve, etc. Reflecting on Mr. Buffett's quote we believe there is a healthy amount of fear; therefore, it is probably a good time to buy strong companies.

Addressing the headlines:

- The market's recovery in the first quarter was very positive. The 'breadth' of the companies participating in the recovery was wide and is seen as positive. Breadth refers to the proportion of stocks participating in the market movement.
- Global growth is slowing but note that economists are not calling for a recession. Current estimates for US GDP growth in 2019 are at 2.4% and 2.0% for 2020.
- We are optimistic for a trade agreement with China soon. Just last week China appears to have made some concessions on key areas that were not previously addressed.
- Political gridlock is a positive for the market because businesses do not fear new regulations.
- BREXIT has been a large 'unknown' for over 2 years. We don't anticipate any quick movement but remain hopeful that an exit plan will be resolved this year.
- The Treasury spread inverting can be an impending recession signal. We believe this was caused by an overreaction to the slowing global growth uncertainties. The Federal Reserve has made it clear that they will be watching carefully.

Having gone through two market corrections in 2018 we remind investors that trying to predict market downturns is fraught with peril because one cannot forecast when these will occur, how long they will last, nor how deep they may go. The best strategy is to invest wisely and allow time to be in our favor by being patient.

Tom

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