IdahoTrustBank

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WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust Bank

After finishing last year on rocky footing, the global financial markets have experienced a very strong start to the year. A slowdown in global economic activity had clearly begun to impact the investment environment at the end of last year as concerns developed that the economy was not strong enough to withstand tighter monetary policy, but a shift in Federal Reserve Bank policy seems to have alleviated these worries, at least for now.

Global Gross Domestic Product

The World Trade Organization has reduced its 2019 Gross Domestic Product (GDP) forecast to the lowest level in the past three years. (See chart on next page). The reduction reflects a sharp contrast from last year when expectations of future growth were significantly higher. The world's major economies are all experiencing an economic slowdown due in part to political uncertainty around the globe, as nationalist movements have begun to emerge, due to renewed suspicion over global trade and finance. Uncertainties of the impact of trade tariffs between the U.S. and China have also contributed to the softer outlook.

The projections for global economic output call for a 3.3% gain this year, down from 3.8% over the past two years, reflecting slowdowns in both developed and emerging markets. The Organization for Economic Cooperation and Development

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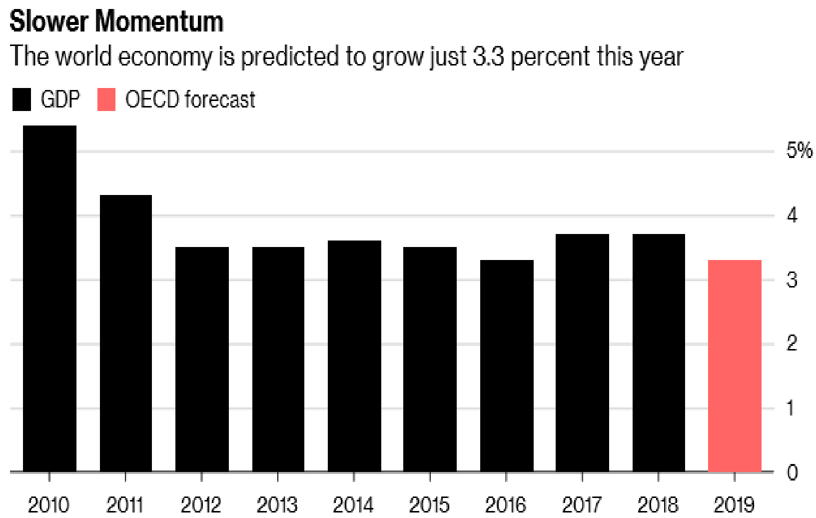
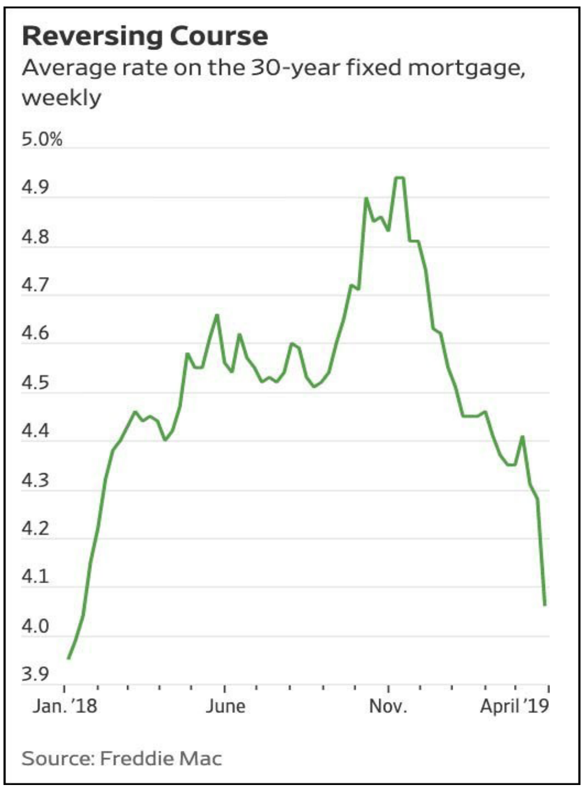
LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust Bank's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

(OECD) has warned that downside risk could make actual results worse than the projections, particularly if trade conflicts escalate.



Interest Rates

Over the past few months, the Federal Reserve Bank (Fed) has shifted from anticipating multiple interest rate hikes in 2019 to zero increases and possibly cutting interest rates by the end of the year. The sharp change in expectations was a result of many forward looking economic indicators that have begun to weaken, which suggests that there would be a slowdown in the coming months. The change in policy has resulted in a decline in interest rates. Note the sharp drop in 30-year mortgage rates in the chart below.



First-Quarter Recap

During the first three months of 2019, the U.S. indices experienced very strong equity market gains. The S&P 500 index rose 13.65% from January through the end of March. Many factors likely contributed to the shift in investment sentiment; such as, the perception of a less aggressive Fed policy position and hopes that there would be a resolution to the tariff conflict between the U.S. and China.

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, had the strongest returns in the first quarter. The Dow Jones Industrial Average and S&P 500, each containing a broader composition of companies, registered solid gains, as investors anticipated that a slowdown in corporate profit growth was temporary. International stock indices experienced solid gains, although not as strong as the U.S. equities so far this year.

Europe has experienced a sharp slowdown in economic activity as several countries have struggled with political instability as well as a concern that Italian banks hold a rather high portion of non-performing loans on their books.

Strong performance from the Technology group has been an important contributor to the overall market returns. During the first three months of this year, the U.S Tech sector rose almost 20%. The Health Care and Financials sectors experienced the softest, although still respectable, returns.

2019 Market Returns

(Year to Date)

as of March 31, 2019

Broad Market Returns	
S&P 500	13.65%
Dow Jones Industrial Average	11.81%
Nasdaq	16.81%
Russell 2000 - small cap	14.57%
MSCI EAFE	9.98%
MSCI Emerging Markets	9.91%
US Bond Index	2.94%
Treasuries	2.11%
Corporate Bonds	5.14%
Municipal Bonds	2.90%
Foreign Bond Index	1.46%
Commodities	6.32%
Domestic Stock Sectors	
Information Technology	19.86%
Financials	8.56%
Health Care	6.59%
Energy	16.43%
Consumer Discretionary	15.73%
Consumer Staples	12.01%
Industrials	17.20%
Utilities	10.84%
Materials	10.30%
Telecommunication Services	13.98%
Real Estate (REITs)	17.53%

Conclusion

We expect that the global economy will continue to advance at a slow and moderate pace in the coming years as scarce demand prevents significant growth. One positive outcome could be that lack of excessive investment will likely limit economic overcapacity, which typically is the precursor to a recession.

Another important variable will be the changing political and fiscal policy environment, which has created many uncertainties; from spending priorities to the impact of tariffs. Uncertainty surrounding these issues could add to the volatility this year but the underlying foundation of economic health remains relatively healthy. We also think another important variable will be inflation expectations. If inflation rates begin to accelerate, the Fed will become more aggressive in tightening monetary policy.

S&P 500 Index

3 Month	13.65%
Year-to-Date	13.65%
1 Year	9.48%
3 Year	13.52%
5 Year	10.90%

MSCI EAFE Net Index

3 Month	9.98%
Year-to-Date	09.98%
1 Year	-3.55%
3 Year	7.29%
5 Year	2.33%

Barclays Aggregate Bond Index

3 Month	2.94%
Year-to-Date	2.94%
1 Year	4.48%
3 Year	2.03%
5 Year	2.74%

As of 3.31.2019

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