

Market Update

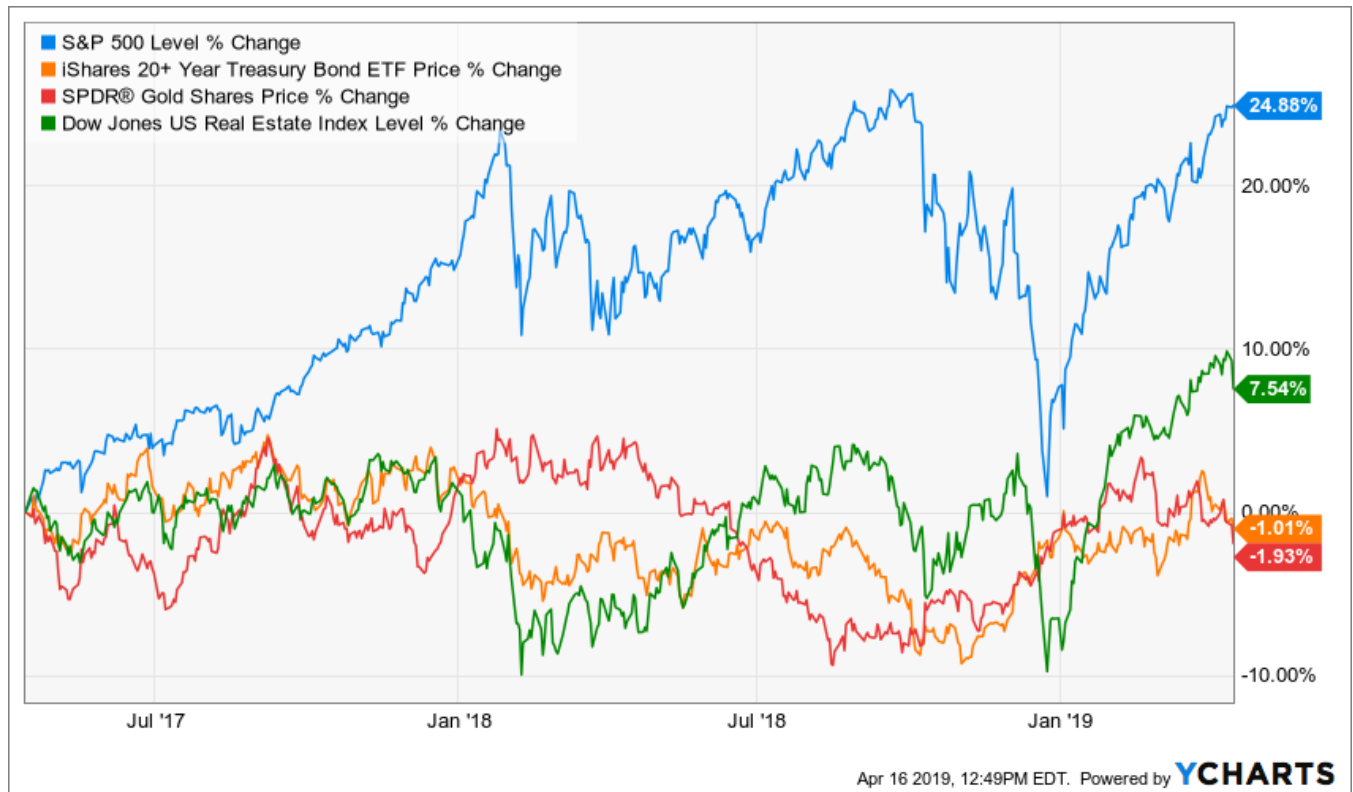
April 16, 2019

U.S. Equities Approaching All Time Highs

Major Market Driving Themes

1. Federal Reserve Interest Rate Policy Decisions
 2. China-Trade Negotiations and Brexit Issues
 3. Yield Curve Flattening
- Inflation pressures remain benign, as headline consumer prices rose just 1.9% year-on-year in March, and core prices came in at 2.0%. These numbers reinforce the Fed's 'patience' stance that was reiterated in its March FOMC minutes.
 - US-China trade negotiations are progressing with China appearing to make further concessions on tech-related issues, and the two sides agreeing on an enforcement mechanism.
 - Trade talks with the EU, however, are set to become more contentious as the U.S. threatens tariffs on EU imports following a ruling from the WTO on a longstanding disagreement.

U.S. Equities are continuing their move back towards all time highs, seen in late September 2018. Earnings season is upon us, and with the economy doing well and inflation under control, many on Wall Street are looking at earnings numbers to come in toward the higher end of the range of estimates.

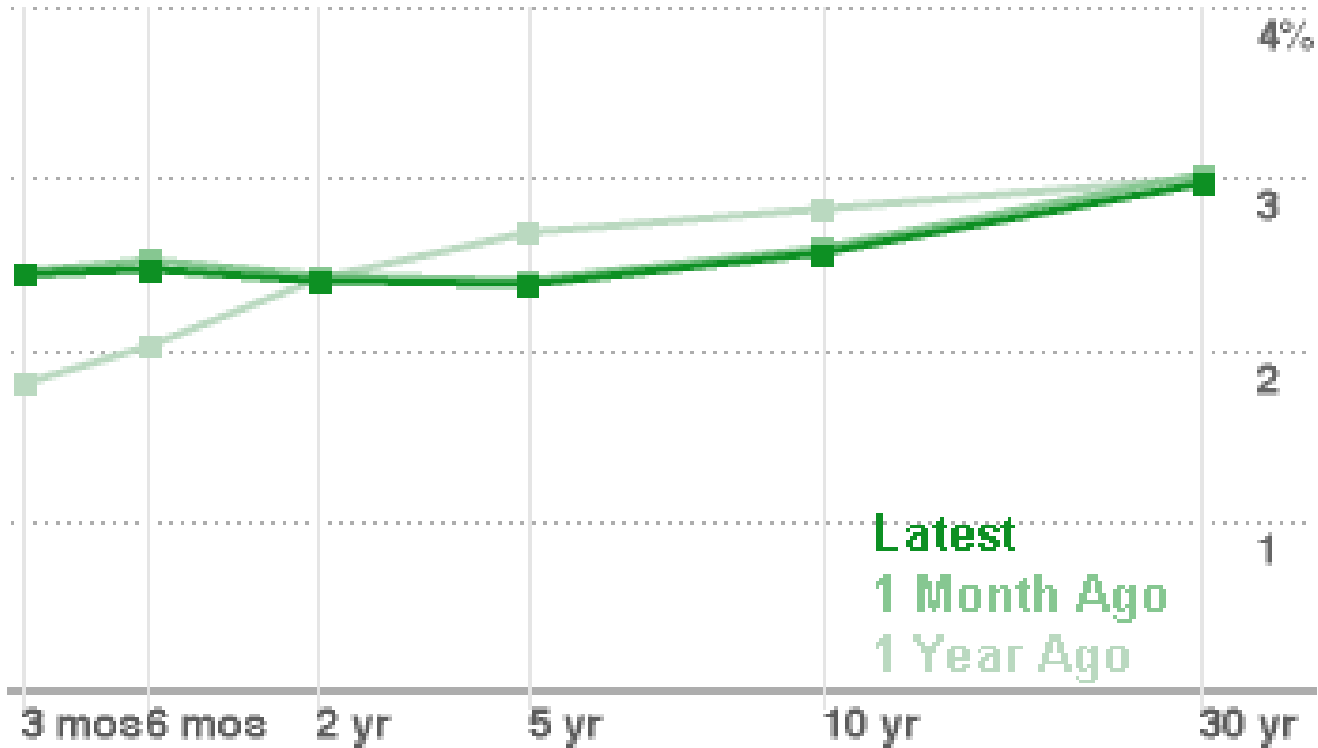


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Below, you will find the U.S. Treasury Yield Curve. We see the curve is relatively the same as a month ago. From the prior year, we are still experiencing some inversion between the 6-month to ten-year maturity range. Federal Reserve policy will be very important to the stability of interest rates, and the ability for the economy and the markets to shrug off concerns, over the inversion, in the yield curve.



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Federal Reserve officials have said the economy is in a "good place," but that's really due mainly to the recent rebound in stock prices, former Federal Reserve Chairman Alan Greenspan said Friday. "There is a bit of a stock market aura about the current economy," Greenspan said, in an interview on CNBC. "Higher stocks tend to spur real gross domestic product with a one-quarter lag," Greenspan noted. The former Fed chairman was pessimistic about the longer-run outlook. "The short run looks reasonably good, the longer run fades very dramatically, in large part because the rest of the world is sinking," he said.

We continue to feel that there are signs of a later stage economic environment. The biggest concern for the economy in the next 12 months continues to be the Federal Reserve interest rate decisions.

Overall, we prefer domestic equities over international equities. We prefer more value-oriented stocks vs. growth stocks currently, in the economic cycle. Growth stocks are still performing relatively well, and we believe they can continue to do so, as long as inflation and interest rates remain stable, and do not move drastically in the short term. As we have stated in the past, value stocks tend to move more slowly in either direction when



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the markets react to stimulus. In later stage economic environments, a tactical shift to overweighting value type stocks can reduce portfolio risk. This is an area we are now looking at, to continue to make tactical changes, over the course of the coming months. We are currently neutral to bearish on fixed-income and interest rates. It is important to maintain discipline regarding long-term strategic asset allocation. However, as market conditions dictate, we are looking at tactical opportunities to reduce risk in portfolios, if necessary.

If you have questions or would like to discuss this further with regard to your personal portfolio, please contact me at 310-469-7254.



James M. Liotta, CFP®, CPWA®, AIF®, NSSA®, MBA

President

Prominence Capital GP, LLC.

jliotta@prominencecapital.com

www.prominencecapital.com

