

March followed up the best two-month start for the S&P 500 in 32 years with a bow on top of the best quarter since Q3 2009. Global equity markets were led by the U.S. (1.8%), India (9.2%), and China (2.4%) but overall global equities (0.6%) were tempered due to weakness in Germany (-1.4%), Turkey (-14.9%), and Brazil (-3.8%). Oil moved sharply higher on the back of a strained global production backdrop (Venezuela, Iran, Saudi) while small caps and financials lagged—the latter due primarily to the late-March U.S. yield curve inversion. Politics remained a bit worrisome as U.S.-China trade negotiations continued but with slow progress and scant details while U.K. Brexit plans were again rejected by Parliament with a mid-April deadline looming. Global bond markets rallied (yields fell) sharply on renewed central bank dovishness and the overall global growth concerns.

Market Anecdotes

- The 3m/10yr yield curve inverted in March, garnering significant attention as a forward predictor of recession. A bull flattener of this nature is indicative of the Fed thinking short rates are fine but market signaling declining growth and inflation risk premiums longer term.
- While it's true that every recession since 1962 has been preceded by a yield curve inversion, not every yield curve inversion has been followed by a recession. Whether and how long the curve remains inverted will be closely watched.
- British PM May's Brexit withdrawal agreements have failed in Parliament three times as did several (8) non-binding 'indicative' votes on alternatives including remain in the EU Customs Union, hold a second referendum on Brexit, and revoke Article 50. The EU is to decide on a second extension shortly which may push things out to June 30th or even later.
- U.S.-China trade negotiations are increasing looking outcome oriented, not time oriented which is both a positive (result) and negative (lingering uncertainty). China's equity market rebounded nicely in Q1 which signals reduced risks of a hard landing.
- The Fed kept rates steady at 2.375%, projected no more rate hikes in 2019, reduced their 2019 growth forecast (2.1%), and announced a tapering of the balance sheet normalization program with a conclusion by September—much sooner than anticipated.
- The pace of Chairman Powell's pivot from a hawk last October to an outright dove in March has been remarkable. Fed funds futures markets have taken it further, now pricing in over 50% odds of a rate CUT in 2019.
- The February NFIB small business survey had a record high 10% of companies cite labor costs as their most important problem. Labor shortages were also noted as 22% (near record high) of companies cited labor quality as their most important problem.
- A report by Goldman Sachs noted 2018 S&P 500 stock buybacks jumped 52% to \$819b with expectations that figure will grow to \$940b in 2019. Business capital expenditures also increased 13% last year to \$1.1 trillion with expectations for 9% growth to \$1.2t in 2019.

Economic Release Highlights

- Most recent headline and core PCE inflation readings of 1.4% and 1.8% respectively raised no eyebrows and probably supports the dovish tone from the Fed and markets.
- PCE consumer spending (0.1% m/m) didn't bounce off depressed December levels as hoped and PCE personal income remained subdued at 0.2% in Feb.
- The March employment report registered 196,000 new jobs, a 3.8% unemployment rate, 0.1% wage growth (3.2% annual), and a slight draw down in the pool of available workers to 11.4mm.
- March non-manufacturing ISM index softened more than expected to 56.1 coming off a three-point surge in February. The ISM manufacturing

index came in at 55.3, rising and beating expectations—an encouraging result.

- The February retail sales report slipped 0.2%MoM, below the low end of expectations but January was revised sharply higher to a very solid 0.7% gain.
- Most recent consumer confidence reading of 124.1 was far short of expectations thanks to

deteriorating views of the economy and wage growth while consumer sentiment jumped to a 6-month high of 98.4, reflecting favorable current conditions and forward expectations.

- Recent housing market data was mixed with declining starts (-8.7%) and permits (-1.6%) offset by surging existing homes sales (+11.8%) and new home sales (+4.9%).

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr	Commodities	3/31/19	1/31/19	10/31/18	7/31/18
Dow Jones	25929	0.17	13.10	11.81	10.09	16.49	Oil (WTI)	60.19	53.84	65.31	69.88
NASDAQ	7729	2.70	17.72	16.81	10.63	18.16	Gold	2.73	2.82	3.31	2.82
S&P 500	2834	1.94	14.63	13.65	9.50	13.60					
Russell 1000 Growth		2.85	17.23	16.10	12.75	16.66	Currencies	3/31/19	1/31/19	10/31/18	7/31/18
Russell 1000 Value		0.64	12.83	11.93	5.67	10.54	USD/Euro (\$/€)	1.12	1.15	1.13	1.17
Russell 2000		(2.09)	15.50	14.58	2.05	13.10	USD/GBP (\$/£)	1.30	1.31	1.28	1.31
Russell 3000		1.46	15.04	14.04	8.77	13.60	Yen/USD (¥/\$)	110.68	108.84	112.86	111.88
MSCI EAFE		0.74	10.61	10.13	(3.05)	8.30					
MSCI Emg Mkts		0.86	10.31	9.97	(6.93)	12.08	Treasury Rates	3/31/19	1/31/19	10/31/18	7/31/18
Fixed Income	Δ Yield	1 Mo	3 Mo	YTD	1 Yr	3 Yr	2 Year	2.27	2.45	2.87	2.67
US Aggregate	2.70	(0.02)	(0.01)	(0.01)	0.30	0.38	5 Year	2.23	2.43	2.98	2.85
High Yield	5.55	(0.02)	(0.35)	(0.35)	(0.10)	(0.95)	10 Year	2.41	2.63	3.15	2.96
Municipal	2.22	(0.03)	(0.04)	(0.04)	0.02	(0.03)	30 Year	2.81	2.99	3.39	3.08

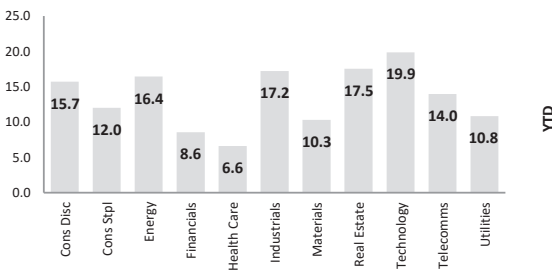
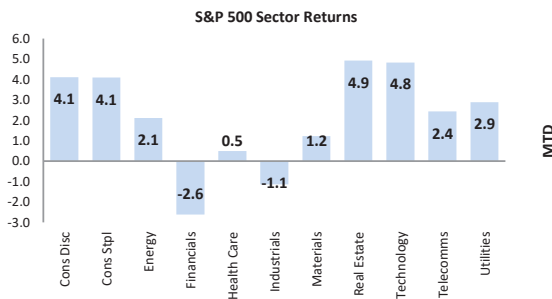
Style Returns

	V	B	G
L	0.64	1.74	2.85
M	0.50	0.86	1.35
S	-2.88	-2.09	-1.35

MTD

	V	B	G
L	11.93	14.00	16.10
M	14.37	16.54	19.62
S	11.93	14.58	17.14

YTD



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