

Game Changer

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Investors were dealt a much-needed reprieve in the first quarter following a treacherous end to 2018. The S&P 500 posted its best return in a decade, a gain of 13.65%. At the same time, the high yield market generated the best quarterly performance since 2009. The remarkable recovery was largely the result of the Federal Reserve's game-changing shift in monetary policy. This market optimism occurred despite faltering global growth, the unresolved trade battle with China, and the threat of a U.S. recession in 2020. Fears were exacerbated by the surfacing of an inverted yield curve for the first time since 2007. Despite weakening momentum in the U.S. economy and a slowdown in corporate profits, demand for equities and bonds surged. Who could have forecast that 10-year U.S. Treasury yields would fall from 3.24% in November to 2.37% in March? Clearly, the game-changer was the Fed's statement that rates will not be hiked this year.



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