

March 2019 Market Watch

U.S. domestic equity markets finished modestly positive in the month of March, but topped off the best quarter since Q3 2009 with the S&P 500 up +13.1%. In March, the Federal Reserve decided to keep benchmark interest rates unchanged in a range of 2.25% to 2.5%. They also projected that there would be no additional rate hikes in 2019 and announced that they would begin tapering the reduction of their balance sheet holdings in May, with plans to halt the program completely in September. Bonds and equities initially rallied on this news, but quickly gave back their gains as markets reconsidered what a Fed pause implies about the health of the U.S. economy.

The Federal Reserve has a dual mandate of maximizing employment and stabilizing prices (inflation). Unemployment remains at a 50-year low of 3.8% and the last reading of inflation was 1.9%, just short of the Fed's 2% target. For 2019, the Fed expects an unemployment rate of 3.7%, an inflation rate of 1.8%, and year-over-year GDP growth of 2.1%. Given that employment and inflation are close to target, this means the Fed will remain patient and data-dependent before acting on rates again.

The technology-heavy NASDAQ index was the best performing domestic equity index in March and remains the best performer YTD (+2.6% MTD, +16.5% YTD). The laggard for the month was the

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	3/31/19	3/24/19	% chg	2/28/19	% chg	3/31/18	% chg	Return*
DJIA	25,928.7	25,502.3	1.7%	25,916.0	0.1%	24,103.1	7.6%	11.2%
S&P 500	2,834.4	2,800.7	1.2%	2,784.5	1.8%	2,640.9	7.3%	13.1%
NYSE Comp Index	12,696.9	12,539.4	1.3%	12,644.8	0.4%	12,452.1	2.0%	11.6%
NASDAQ Composite	7,729.3	7,642.7	1.1%	7,532.5	2.6%	7,063.4	9.4%	16.5%
Russell 2000	1,539.7	1,505.9	2.2%	1,575.5	-2.3%	1,529.4	0.7%	14.2%
MSCI EM (Emerging Markets)	1,058.1	1,059.6	-0.1%	1,051.0	0.7%	1,169.3	-9.5%	9.6%
MSCI EAFE	1,875.4	1,883.0	-0.4%	1,873.7	0.1%	2,002.2	-6.3%	6.5%
Japan Nikkei 225	21,205.8	21,627.3	-1.9%	21,385.2	-0.8%	21,159.1	0.2%	6.0%
FTSE 100	7,279.2	7,207.6	1.0%	7,074.7	2.9%	7,056.6	3.2%	9.5%
SSE Comp Index	3,090.8	3,104.1	-0.4%	2,941.0	5.1%	3,160.5	-2.2%	23.9%

US Equity Sector Performance

	March	YTD	1 Yr Ret.
Consumer Discretionary	4.1%	15.7%	13.2%
Consumer Staples	4.1%	12.0%	10.5%
Energy	2.1%	16.4%	1.3%
Financials	-2.6%	8.6%	-4.7%
Health Care	0.5%	6.6%	14.9%
Industrials	-1.1%	17.2%	3.2%
Information Tech	4.8%	19.9%	15.4%
Materials	1.2%	10.3%	-0.4%
Communication Services	2.4%	14.0%	7.8%
Utilities	2.9%	10.8%	19.3%
Real Estate	5.1%	17.4%	21.4%

US Equity Style Performance

	March	YTD	1 Yr Ret.
Dow Jones Utilities	3.0%	9.2%	12.4%
AMEX DJ TRANS Avg.	-0.5%	13.9%	1.6%
Russell 1000 Value	0.6%	11.9%	5.7%
Russell 1000 Growth	2.8%	16.1%	12.7%
Russell 2000 Value	-2.9%	11.9%	0.2%
Russell 2000 Growth	-1.4%	17.1%	3.9%

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small-cap focused Russell 2000 index (-2.3% MTD). For the month, 9 out of the 11 S&P 500 sectors ended in positive territory, led by Real Estate (+5.1% MTD) and Information Technology (+4.8% MTD). The worst-performing sectors were Financials (-2.6% MTD) and Industrials (-1.1% MTD).

Emerging Market equities (MSCI EM +0.7% MTD) outperformed developed international market equities (MSCI EAFE +0.1% MTD) in March. In Europe, U.K.'s FTSE 100 index showed solid momentum (+2.9% MTD) despite uncertainties surrounding Britain's attempt to exit the European Union (Brexit). In Asia, Japan has been a laggard (-0.8% MTD), as its economy continues to grow at a rate below 1%. China remains a top performer (+5.1% MTD) internationally due to news of softening trade tensions with the U.S. and stimulus.

The increase in bond prices in March caused yields to fall across the curve, as bond prices move inversely to bond yields. The yield on 10-year Treasury notes fell to 2.44% in the month, just below the 2.45% yield on 3-month Treasury bills. When long-term rates dip below short-term rates, the yield curve becomes inverted. Historically speaking, a prolonged inversion in the yield curve has been a predictor of an impending recession. However, economists warn investors that a single day inversion does not necessarily imply that the economy will tumble.

The Bloomberg Commodity Index finished down -0.4% MTD in March. Components were mixed, as crude oil closed the month at \$60.73/barrel (+6.1% MTD), while gold settled at \$1,301.30/ounce (-1.1% MTD).

Bond Markets (%)

	3/31/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.39	2.44	1.72
US Benchmark Bond – 6 Mth	2.43	2.50	1.92
US Benchmark Bond – 2 Yr	2.27	2.50	2.26
US Benchmark Bond – 5 Yr	2.24	2.50	2.56
US Benchmark Bond – 10 Yr	2.42	2.71	2.74
US Benchmark Bond – 30 Yr	2.82	3.09	2.97

US Bond Sector Performance

	March	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	1.22%	1.58%	3.79%

Exchange Rates (per US dollar)

	3/31/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.336	1.317	1.289
Mexican New Peso	19.398	19.270	18.254
Euro	0.891	0.878	0.813
British Pound	0.767	0.752	0.713
Swiss Franc	0.996	0.996	0.958
Chinese Yuan	6.720	6.686	6.292
Indian Rupee	69.275	71.126	65.222
Japanese Yen	110.685	111.320	106.350

Commodities (In US dollars)

	3/31/19	1 Mth Ago	1 Yr Ago
Gold	1,301.30	1,316.10	1,327.30
Crude Oil	60.73	57.22	64.94
US Dollar Index	96.65	96.04	89.81
Bloomberg Commodity Index	81.09	81.39	87.47

Interest Rates (%)

	3/31/19	1 Mth Ago	1 Yr Ago
Prime Rate	5.50	5.50	4.75
Federal Funds Rate	2.41	2.41	1.68
Libor Rate 30 Day	2.50	2.49	1.88
Libor Rate 3 Months	2.59	2.62	2.31
30yr Fixed Mortgage	4.06	4.35	4.45

Economic Sentiment

	3/31/19	1 Yr Ago
Unemployment Rate	3.80%	4.00%
Average Single Family Home	289,000	290,600
Capacity Utilization	79.13%	78.19%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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