

Fidelity Bank - Trust and Wealth Management
March 2019 Market Review
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U.S. Stocks cooled off a bit in March compared to the first two months of the year, but overall finished the best quarter for U.S. stocks since 2009. The Federal Reserve's dovish tilt has raised questions among investors about U.S. and global growth. U.S. Stocks returned 1.94% for the month and 13.65% for the 1st quarter of 2019.

With fears surrounding U.S. and global growth, investors sought solace in fixed income markets. The Bloomberg Barclays Aggregate Bond Index climbed 1.92% in March and gained 2.94% in the quarter overall. This is the largest quarterly increase for the index since 1st quarter 2016.

With continued drama surrounding global growth, negative interest rates, and Brexit, International Developed Stocks eked out a gain in March with the MSCI EAFE Index posting a 0.63% return and a 9.98% return YTD.

Emerging Market Stocks are set to cap the strongest quarter since the 1st quarter 2017 as Asian markets rallied, thanks to optimism about a U.S.-China trade deal. The MSCI Emerging Markets index returned 0.84% in March and 9.91% for the quarter.

Equity

As fears of a slowdown in U.S. growth have increased, those stocks most sensitive to the domestic economy stalled out in March. U.S. Small Caps lost 2.09% during March, shrinking their year-to-date lead over large caps to just 0.93% (Russell 2000: +14.58%, S&P 500: +13.65%). Not surprisingly, falling interest rates in March had a pronounced effect on banks; the Nasdaq Bank Index fell more than 8% during the month, but is up more than 7.70% YTD.

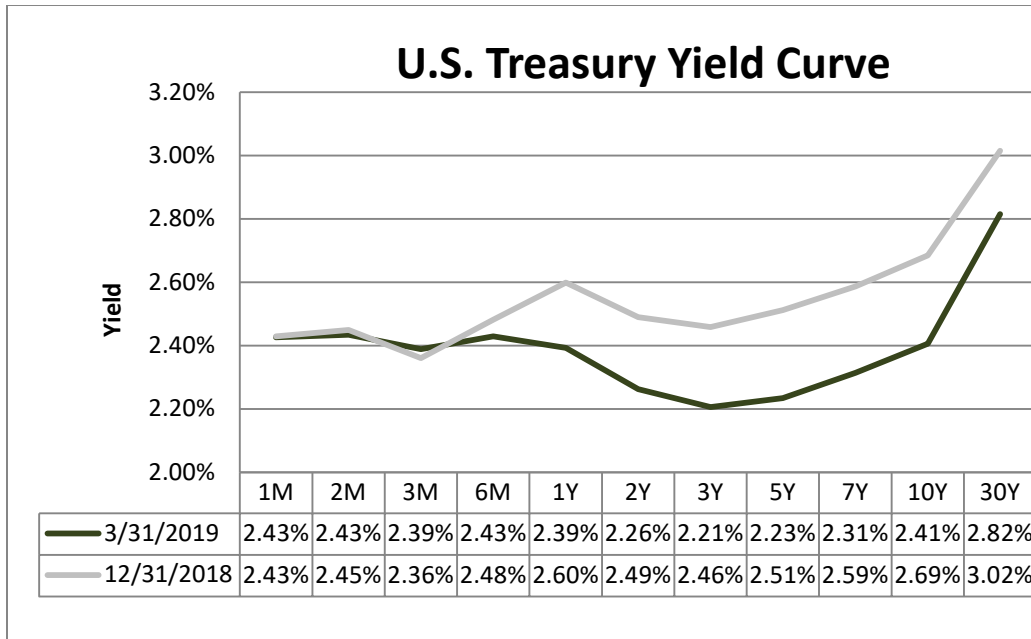
The best performing U.S. assets in March were High Quality stocks which brought home a strong 3.05%, extending their year-to-lead over the S&P 500 to 2.35% (YTD: S&P Quality TR: 16.00%, S&P 500: 13.65%).

Dollar strength detracted returns from U.S. investors in both Developed Markets and Emerging Markets. The MSCI EAFE index returned 1.34% in local currency terms, but only 0.63% in U.S. Dollar terms. The MSCI Emerging Markets index returned 1.37% in local currency, but the conversion to U.S. Dollars reduced that return to just 0.84%. Chinese stocks continued their strong 2019 rising, about 5% in U.S. Dollar terms in March

(+27.01% YTD). Contagion fears stemming from the political and economic difficulties in Turkey have been contained.

Fixed Income

With fears about slowing growth permeating markets, investors sought safety in bonds. The Bloomberg Barclays U.S. Treasury Index gained 1.84% in March and 3.19% for the quarter. Yields across all Treasury maturities, except 3 month U.S. Treasuries (+2.72 basis points YTD), fell by an average of more than 19 basis points year-to-date. For the first time since 2007, the 3 month U.S. Treasury yield was greater than the 10 year U.S. Treasury Yield for a time during March. Historically, an inversion of the yield curve – short-term rates higher than long-term rates – has been a reliable predictor of recessions in the next 12-24 months following the inversion.



Falling yields and credit spreads continued to benefit Investment Grade Corporate and High Yield Corporate bonds, with the indexes advancing by 2.44% and 0.94%, respectively in March. Quarter-to-date, Investment Grade Corporates and High Yield Corporates are up 4.87% and 7.26%, respectively. A stronger U.S. dollar combined with falling Treasury yields and Emerging Market contagion fears pared year-to-date gains in Emerging Markets Local Debt. The asset class lost nearly 1.25% in March, lowering its year-to-date gain to 3.01%.

Real Assets

Broad basket commodities were flat for March losing just 0.18%. Oil continued to surge higher from its December lows (+5.21% in March, +32.53% YTD). Consumers will continue to feel additional pressure at the pump, as gasoline continued to lead commodities in March, rallying another 15.44% (+42.39% YTD). Conversely, natural gas continued its slide losing 21.54% in March, bringing its year-to-date loss to 43.33%. REITs were a standout performer in March adding another 4.45% bringing its year-to-date total to 17.17%.

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Index Snap Shot

Month Ending March 29th, 2019

Equities & Commodities ¹	Close		1-Month		YTD		1-Year		3-Year
S&P 500	2,834	▲	1.94%	▲	13.65%	▲	9.48%	▲	13.52%
Dow Jones Industrials	25,929	▲	0.17%	▲	11.81%	▲	10.03%	▲	16.39%
NASDAQ	7,729	▲	2.70%	▲	16.81%	▲	10.66%	▲	18.06%
Growth Stocks		▲	2.85%	▲	16.10%	▲	12.74%	▲	16.56%
Value Stocks		▲	0.64%	▲	11.93%	▲	5.66%	▲	10.45%
Small Cap Stocks		▼	-2.09%	▲	14.57%	▲	2.01%	▲	12.93%
Foreign Developed Stocks		▲	0.63%	▲	9.98%	▼	-3.71%	▲	7.29%
Emerging Market Stocks		▲	0.84%	▲	9.91%	▼	-7.41%	▲	10.70%
Commodities		▼	-0.18%	▲	6.32%	▼	-5.25%	▲	2.23%
Sectors ²			1 Month		YTD		1-Year		3-Year
Communication Services		▲	2.43%	▲	13.98%	▲	7.69%	▲	1.38%
Consumer Discretionary		▲	4.11%	▲	15.73%	▲	13.19%	▲	14.43%
Consumer Staples		▲	4.09%	▲	12.01%	▲	10.48%	▲	5.15%
Energy		▲	2.11%	▲	16.43%	▲	1.32%	▲	4.95%
Financials		▼	-2.61%	▲	8.56%	▼	-4.68%	▲	14.26%
Health Care		▲	0.49%	▲	6.59%	▲	14.89%	▲	12.60%
Industrials		▼	-1.14%	▲	17.20%	▲	3.20%	▲	11.67%
Information Technology		▲	4.83%	▲	19.86%	▲	15.44%	▲	22.61%
Materials		▲	1.23%	▲	10.30%	▼	-0.43%	▲	9.50%
Real Estate		▲	4.92%	▲	17.53%	▲	20.99%	▲	7.53%
Utilities		▲	2.89%	▲	10.84%	▲	19.33%	▲	9.21%
Bonds ³	Yield ⁴		1 Month		YTD		1-Year		3-Year
2 Year Treasury	2.26%	▲	0.62%	▲	0.96%	▲	2.61%	▲	0.83%
10 Year Treasury	2.41%	▲	2.84%	▲	3.08%	▲	5.59%	▲	0.10%
30 Year Treasury	2.81%	▲	5.59%	▲	4.98%	▲	6.25%	▲	1.03%
US Investment Grade Bonds	2.93%	▲	1.92%	▲	2.94%	▲	4.48%	▲	2.03%
US High Yield Bonds	6.43%	▲	0.94%	▲	7.26%	▲	5.93%	▲	8.58%
US Municipal Bonds	2.32%	▲	1.58%	▲	2.90%	▲	5.38%	▲	2.72%
Global Bonds	1.77%	▲	1.25%	▲	2.20%	▼	-0.38%	▲	1.49%
Emerging Market Bonds	6.39%	▼	-1.23%	▲	3.01%	▼	-7.10%	▲	3.59%
Market Indicators ⁵			As of						
Fed Funds Target	2.50%		3/31/2019						
Inflation	1.50%		3/12/2019						
Unemployment	3.80%		3/8/2019						
Prime	5.50%		3/31/2019						
30 Year Mortgage Rate	4.08%		3/31/2019						
15 Year Mortgage Rate	3.42%		3/31/2019						

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Index Snap Shot

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All investments involve risks, including possible loss of principal.

1. Source: Bloomberg. S&P 500 is represented by the S&P 500 Index, Dow Jones Industrials is represented by the Dow Jones Industrial Average, NASDAQ is represented by the NASDAQ Composite Index, Growth Stocks are represented by the Russell 1000 Growth, Value Stocks are represented by the Russell 1000 Value, Small Cap Stocks are represented by the Russell 2000, Foreign Developed Stocks are represented by the MSCI EAFE NR Index and Emerging Market Stocks are represented by the MSCI Emerging Markets NR Index., Commodities are represented by the Bloomberg Commodity TR Index.

2. Source: Bloomberg. Sectors based on S&P 500 Index sector indexes.

3. Sources: Bloomberg. 2-Yr Treasury is represented by the FTSE 2-Year Treasury Bond Index 10-Yr Treasury is represented by the FTSE 10-Year Treasury Bond Index, 30-Yr Treasury is represented by the FTSE 30-Year Treasury Bond Index, US Bonds are represented by the Bloomberg Barclays US Aggregate Index, US High Yield Bonds are represented by the Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD, Global Bonds are represented by the Bloomberg Barclays Global Aggregate Index, Emerging Markets are represented by the Bloomberg Barclays Emerging Markets Sovereign TR Index Value Unhedged USD and US Municipals are represented by Bloomberg Barclays Municipal Bond Index.

4. Sources: Bloomberg. 2-Yr Yield is represented by the Bloomberg US Generic Govt 2 Year Yield, 10-Yr Yield is represented by the Bloomberg US Generic Govt 10 Year Yield, 30-Yr Yield is represented by the Bloomberg US Generic Govt 30 Year Yield, US Municipals is represented by Bloomberg Barclays Municipal Bond Index Yield To Worst, US Bonds Yield is represented by Bloomberg Barclays US Agg Yield To Worst, Global Bonds Yield is represented by Bloomberg Barclays Global-Aggregate Yield To Worst, US Municipals Yield is represented by Bloomberg Barclays Municipal Bond Index Yield to Worst, Emerging Markets Bonds Yield is represented by the 12 month dividend yield of the ETF EMLC.

5. Sources: Sources: Fed Funds Rate, Federal Reserve; Inflation and Unemployment, US Department of Labor; and GDP,