ATG TRUST COMPANY

FINANCIAL MARKET UPDATE
3/22/19

THE WEEK IN REVIEW

Volatility is here to stay. That's the message that the markets relayed to investors this week as the CBOE Volatility Index, or the VIX, rose sharply to end the week. U.S. stocks suffered sharp losses in the week's last day of trading as the U.S. Treasury yield curve battled with inversion. The closely watched recession indicator of the difference between the ten-year U.S. Treasury yield and three-month U.S. Treasury yield went negative during intraday trading for the first time since 2007, but finished the day flat. The ten-year U.S. Treasury yield fell nine basis points to 2.53% after Federal Reserve Chairman Powell's comments on Wednesday, and continued to fall the remainder of the week to 2.44% as a surge of buying pushed long rates materially lower. Friday's dramatic move lower in rates was sparked in part by reports showing a 21-month low in U.S. manufacturing activity and continued contraction in euro zone manufacturing this month.

During Federal Reserve Chairman Powell's comments following the Federal Open Market Committee (FOMC) meeting he said the Fed plans to halt the tapering of its balance sheet by September. Additionally, the FOMC released their summary of economic projections which showed the median FOMC official felt there would be no need for a rate hike in 2019. Relative to the previous projections released in December, which showed an expectation of two rate hikes in 2019, the March projections were perceived to be dovish. The projections also showed the Fed has reduced its outlook for U.S. economic growth to 2.1% in 2019, down 0.2% from their 2.3% forecast in December. They cited weaker economic growth in Europe and China as a headwind for the U.S. economy. The S&P 500 financial sector, which benefits from higher interest rates and yield curve, fell close to 5% this week in conjunction with the decline in interest rates and the Fed's dovish interest rates statements.

With much of the U.S. Treasury yield curve inverted and the strongest indicator of a future recession close to inversion as discussed above, global central banks may need to be even more accommodative than they have been in recent months. Although it is unlikely that monetary policy on its own will be enough to help spur the global economy. High levels of uncertainty surrounding Brexit, the U.S.-China trade dispute and other geopolitical risks could continue to hamper economic growth around the world.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Millions Annualized	5.5	5.2	▲
Leading Economic Indicators (YoY)	3.0%	4.9%	▼
Initial Jobless Claims (Thousands)	221	217	▲
Federal Funds Target Rate Decision	2.5%	2.5%	-

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25502.32	-1.34%	9.32%	6.45%
NASDAQ	7642.67	-0.60%	15.18%	6.64%
S&P 500 Large Cap	2800.71	-0.77%	11.72%	5.94%
MSCI EAFE	1900.10	0.52%	10.48%	-5.75%
Barclays Aggregate US	2090.56	0.42%	2.15%	4.22%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.44%	2.43%	2.44%	1.71%
10-Year Treasury	2.44%	2.59%	2.65%	2.82%

REPORTS DUE NEXT WEEK	LATEST
Conf. Board Consumer Confidence	131.4
Real GDP (QoQ Annualized)	2.6%
U. of Mich. Consumer Sentiment	97.8
S&P CoreLogic Case-Shiller U.S. HPI (YOY)	4.7%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.