

~ FEBRUARY 2019 NEWSLETTER ~

Monthly Summary

Shrugging off a dismal end to 2018, global equity markets surged in the new year. After a sharp rebound in January, stocks and credit-sensitive bonds experienced more muted, but steady gains in February. Small growth companies and economically-sensitive sectors, such as energy and industrials, outperformed as investor sentiment recovered. Bond market returns have been positive overall as yields remained stable or declined modestly since the beginning of the year. In the U.S., municipal and corporate bonds outperformed. Renewed optimism over U.S./China trade discussions and indications the Federal Reserve would take a more cautious approach to monetary policy buoyed the outlook for global growth and corporate earnings.

Corporate profits in the fourth quarter were unexpectedly robust, rising double digits over the prior year.

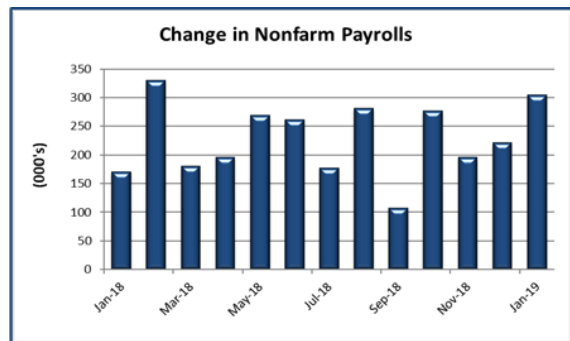
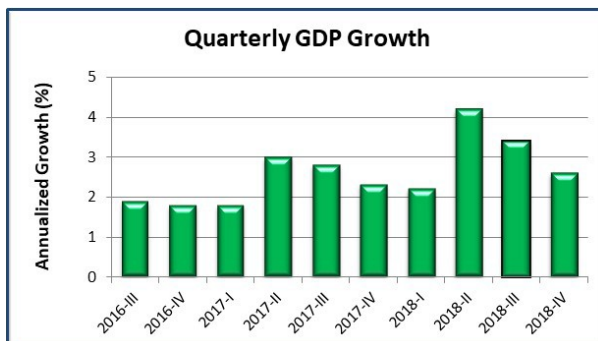
The U.S. economy moderated in the fourth quarter of 2018, expanding 2.6%. For the year, economic growth surpassed 3%, largely due to healthy consumer spending. Business investment seems to have bounced back, but a large increase in inventories and the effects of the partial government shutdown may dampen first quarter growth. Inflation data, impacted by softer energy prices and service trade costs, has been mixed. A slowdown in China is impacting its major trading partners, including Germany and Japan. Business confidence in Europe has faltered and outstanding government bonds with a negative yield are once again rising. Recent decisions by the ECB to tighten monetary policy may have gone too far. Although stock market volatility has fallen back to below average levels, slowing global growth as well as lingering uncertainty over trade disagreements, borrowing costs and political tensions could once again dampen investor enthusiasm.

Economic Data

General	Prior	Current
GDP growth	3.4% (Q3 2018)	2.6% (Q4 2018)
Trade balance	-55.7B (Oct)	-49.3B (Nov)

Employment	Prior	Current
Initial jobless claims	217,000 (2/15)	225,000 (2/22)
Continuing claims	1.726MM (2/8)	1.805MM (2/15)
Change in non-farm payrolls	222,000 (Dec)	304,000 (Jan)
Unemployment rate	3.9% (Dec)	4.0% (Jan)
Average weekly hours	34.5 (Dec)	34.5 (Jan)

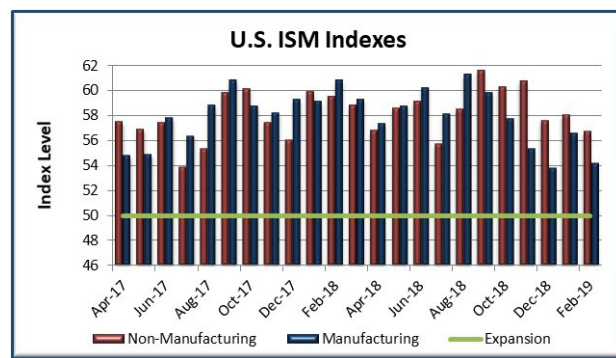
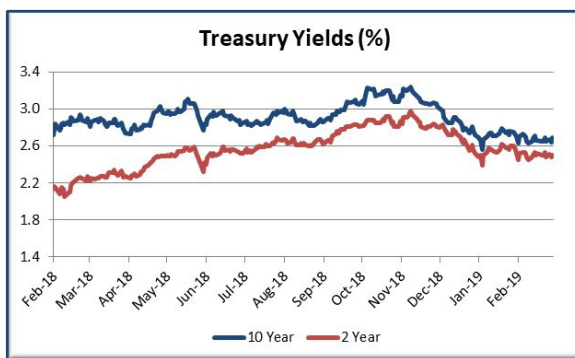
Consumer	Prior	Current
Consumer confidence index (Conference Board)	121.7 (Jan)	131.4 (Feb)
Retail sales growth	0.1% (Nov)	-1.2% (Dec)
Change in consumer credit	\$22.41B (Nov)	\$16.55B (Dec)



Manufacturing & Service	Prior	Current
ISM manufacturing index	56.6 (Jan)	54.2 (Feb)
ISM non-manufacturing index	56.7 (Jan)	59.7 (Feb)
Durable goods orders growth	0.9% (Nov)	1.2% (Dec)
Industrial production growth	4.1% (Dec)	3.8% (Jan)
Capacity utilization	78.8% (Dec)	78.2% (Jan)

Real Estate	Prior	Current
New home sales	599,000 (Nov)	621,000 (Dec)
Existing home sales	5.000MM (Dec)	4.940MM (Jan)
S&P CoreLogic CS home price index (YoY)	4.58% (Nov)	4.18% (Dec)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.9%/2.2% (Dec)	1.6%/2.1% (Jan)
Producer price index/Core (YoY growth)	2.5%/2.7% (Dec)	2.0%/2.6% (Jan)



Market Returns

	Feb 2019	YTD 2019
Fixed Income		
BBgBarc Aggregate Bond	-0.1%	1.0%
BBgBarc Municipal Bond	0.5%	1.3%
BBgBarc Gbl Agg. ex. U.S.	-1.0%	0.8%
Alternatives		
Bloomberg Commodity	1.0%	6.5%
DJ U.S. Real Estate	0.8%	12.4%

	Feb 2019	YTD 2019
Domestic Equities		
Wilshire 5000	3.5%	12.4%
S&P 500	3.2%	11.5%
Russell 2000	5.2%	17.0%
International Equities		
MSCI EAFE (Developed)	2.5%	9.3%
MSCI EM (Emerging)	0.2%	9.0%

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Steven W. Lieberman is the President and CEO of The Private Client Group Wealth Management, LLC. Investment advisory and financial planning services are offered through Summit Financial, LLC, an SEC Registered Investment Adviser ("Summit"), 4 Campus Drive, Parsippany, NJ 07054. Tel. 973-285-3670. Securities brokerage offered through Purshe Kaplan Sterling Investments, Member FINRA/SIPC. Headquartered at 18 Corporate Woods Blvd., Albany, NY 12211 ("PKS"). PKS and Summit are not affiliated companies. 03062019-185