



# IRONWOOD

Investment Counsel, LLC

Spring 2019

## ***The Beat Goes On...***

Ironwood Investment Counsel, LLC constructs and manages customized investment and wealth management programs designed to meet our clients' unique goals and objectives. Our distinctive process maximizes performance through return enhancement, risk reduction, tax efficiency, and cost containment.

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Global equity markets had a solid start to 2019 after a difficult December and generally rough fourth quarter of 2018. The Federal Reserve, along with other central banks, reversed course and resumed a more dovish stance with monetary policy. With the expectation of lower rates, the risk-on trade was back in favor; and subsequently, U.S. equity markets were up double digits in the first quarter of 2019. The S&P 500 was up 13.6%, while the Russell 2500 index of mid and small cap stocks advanced 15.8%. International indices were up strongly as well. Conversely, interest rates fell in the quarter, with the 10-year U.S. Treasury down to 2.4% from 3.0%, and the German and Japanese 10-year bond yields are back into negative territory.

It is now unlikely that there will be any interest rate increases in 2019, as Fed fund futures are predicting a lower funds rate by year-end.

Along with the accommodative news from the Fed, there is increased evidence of a trade deal with China. President Trump delayed a March 1 deadline in trade talks, preventing the escalation of tariffs from 10% to 25% on \$200 billion of Chinese goods.

On a corporate level, earnings results were better than feared in the fourth quarter of 2018. More than 70% of S&P 500 companies reported earnings that beat estimates, while over 60% of companies reported stronger than expected revenues. Put plainly, the lack of a continued decline in stocks with disappointing earnings implies the results were not as bad as feared.

However, while there was clearly more good news than bad during the first quarter, it would be a mistake to think that the economic "coast is clear." As such, we think it would be wishful thinking to expect the second quarter to produce returns similar to the first quarter (as we all know, past performance is not indicative of future results).

Nevertheless, the market performance during the first quarter was a welcomed sight, following the volatility and un-nerving declines in the final quarter of 2018. As such, we are pleased to say there have been real improvements in the macro-economic outlook for markets during this time; however, we continue to believe risks to be present in the current environment.

We expect, and are prepared for, more volatility within the context of this multi-year, bull market; and, as such, investors would be remiss to become complacent in such an environment.

Though short-term volatility is not typically comfortable, fundamental investment risks pose a more long-term and permanent threat to clients' portfolios. With our clients' long-term goals at the forefront, we at Ironwood strive to navigate these hazards via strict and proven guidelines, given the current economic environment.

### **Fixed Income**

Short Duration • Premium Coupon • Floating Rate • Essential Purpose

### **Equity**

High ROE • Excess Free-Cash-Flow • Growing Dividends • Sustainable Competitive Advantages

A successful investment strategy is a marathon, not a sprint. Volatility “bumps” along the road will inevitably occur; however, the avoidance of fundamental risks along the way will be most important. We will continue to focus on this task to ensure the success of our clients' long-term financial goals and objectives.

*Please remember that there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Ironwood Investment Counsel, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Moreover, you should not assume that any discussion or information contained above serves as the receipt of, or as a substitute for, personalized advice from Ironwood Investment Counsel, LLC. A copy of our current written disclosure statement discussing our advisory services and fees is available upon request.*