Commentary

Depending on what news headline caught your attention—fear of inflation, rising bond yields, rich valuations, the potential for US Federal Reserve (Fed) policy mistakes, presidential cabinet turnover and protectionist trade policies in the United States, together with doubts surrounding the ability of technology companies to lead major indexes higher—all contributed to the reawakening of stock market volatility in the first quarter of 2018. The S&P 500 finished the quarter with back-to-back monthly declines for the first time since early 2016.

Nearly all equity asset classes fell during the quarter, with real estate investment trusts (REITs) declining the most, as bond yields crept higher. US-based and developed-market stocks all declined. Only emerging-market stocks posted gains during the quarter, thanks to firmer commodity prices, a falling dollar, low inflation and easy monetary policy. Key US fixed income indexes also declined during the quarter, as interest rates rose, credit spreads widened and bond yields hit four-year highs across the maturity spectrum.

Macro Description

The NewSquare Macro Series is a suite of actively managed portfolios for investors who want to combine long-term growth with an innovative risk management strategy guided by macro-economic analysis. Investing in exchange-traded funds, or ETFs, which offer cost effectiveness and tax efficiency, the portfolios can pivot across geographic regions, asset classes and sectors. A seasoned investment team conducts a wide-ranging analysis of fundamental macro-economic conditions and attempts to position the portfolios—whether Aggressive, Moderate or Conservative—to produce attractive risk/returns over the long term.

Outlook

In this strategy, we believe the bull market in stocks is still intact, despite the short-term resurgence in volatility. We believe it marks a long overdue and much needed correction, and we believe corrections are necessary course adjustments that keep stock prices on a broader, upward trajectory. Meanwhile, although not unquestionably attractive at current yield levels, bonds provide a stable source of income and act as a low-risk diversifier in balanced portfolios. We believe that bond yields are not likely to rise in a significant and lasting way until inflation turns markedly higher.

In short, we view this newfound volatility as an opportunity for you to review your personal financial plan with your advisor and make sure it matches your time horizon, risk tolerance and investment objectives. Then, stick with it.

Our portfolios remained equal-weight to the strategic target for risk-based assets in what we see as a pro- growth, late stage of the business cycle. We continue to favor international, developed-market stocks based upon cheaper valuations, easier monetary policy conditions and earlier stages of economic recovery for Europe and Japan than the US. We continue to be neutral on emerging markets

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stocks as we believe China's economy may be slowing. We continue to favor investment-grade US corporate bonds and mortgage-backed securities over government bonds and have kept portfolio duration near, but slightly longer than, the benchmark's duration. We believe the yield curve flattening is likely to continue as we near the end of the current business cycle and approach an economic slowdown in the coming years.