



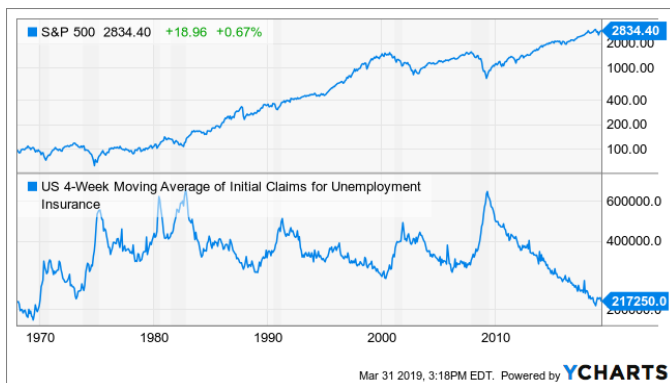
The stock market has seen a strong start to the year climbing +14.9% as of April 2nd. Much of the increase reflects a recovery from the late 2018 pullback while the remainder is likely related to a sense of continued economic growth. We believe 2019 will indeed be one of continued growth and, thus, the strong start for the market is justified beyond recovery reasoning.

On the other hand, various parts of the economy are showing signs of risk that are worthy of attention. We will highlight from our perspective the strengths and risks to continued economic growth with an eye on how the markets may react.

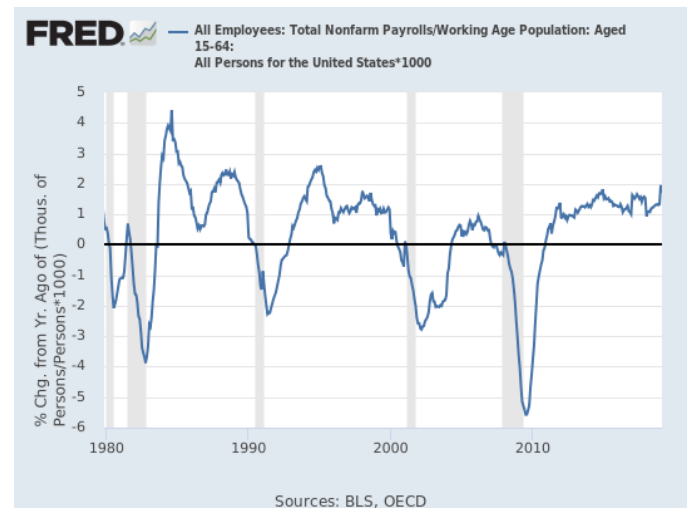
The three main observations derived from the following chart are:

- 1) Markets tend to grow over the long-run,
- 2) When claims for initial unemployment insurance pivot from falling to rising, the market pulls back, and
- 3) We are at record low levels of initial claims.

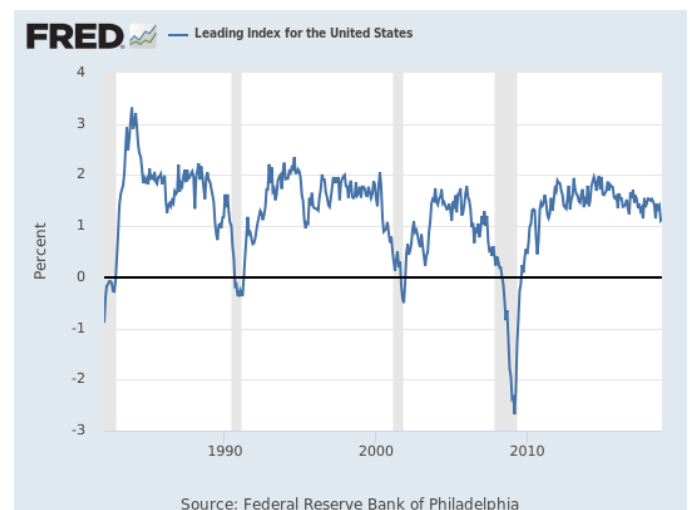
The bottom line is that times are very good in terms of employment, but initial claims will eventually turn up from these very low levels – and the result will be that market risk will be higher.



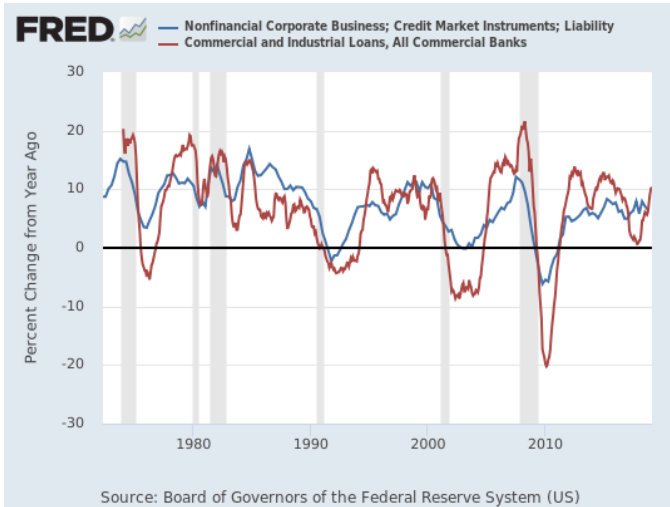
In the meantime, the employment situation appears to be improving based on many metrics. For example, workforce participation growth has continued. Typically, participation has declined heading into a recession.



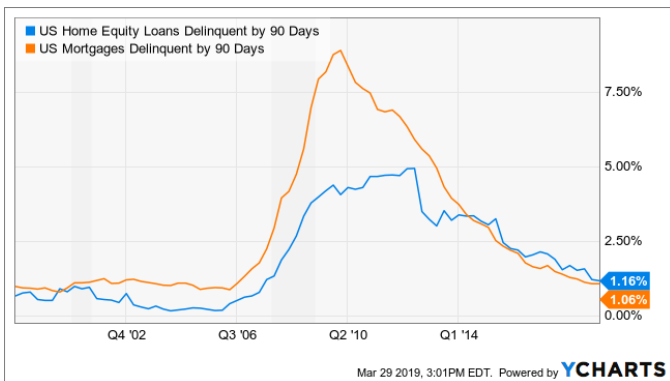
Further, leading economic indexes (LEI) are holding up well. The LEI below, comprised of a range of personal income, employment, industrial production, and sales data for all 50 U.S. states, indicates the economy is comfortably in growth mode.



Another example of economic expansion is demonstrated by commercial borrowing activity. When businesses see opportunities or need cash (i.e. for expansion purposes) they tend to increase borrowing activity. This activity tends to quickly reverse when the outlook becomes less certain. Currently, businesses seem optimistic according to the following chart.

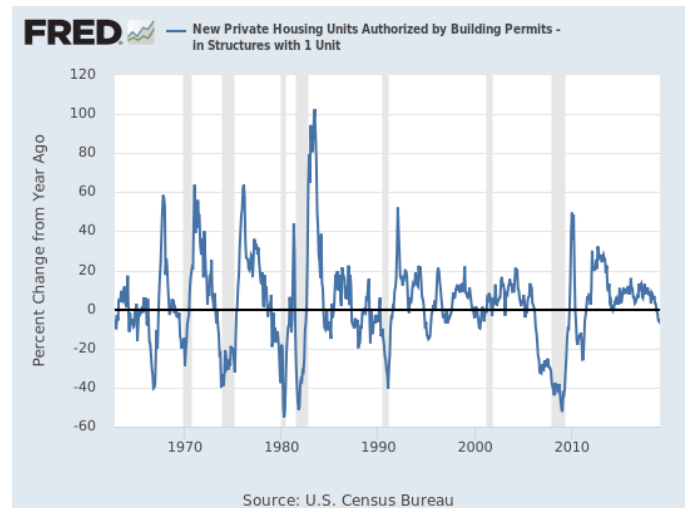


For the most part, consumers are also in a strong position financially. Coming from the perspective of debt delinquency levels for mortgages and home equity lines, homeowners are not being pinched. Leading up the prior recession, we saw these levels rise. However, consumers seem to be more fiscally prudent.



The growth rate of household liabilities remains below its historic range of 5.0% to 10.0% (currently still less than 5.0%) – meaning consumers are still largely fiscally cautious.

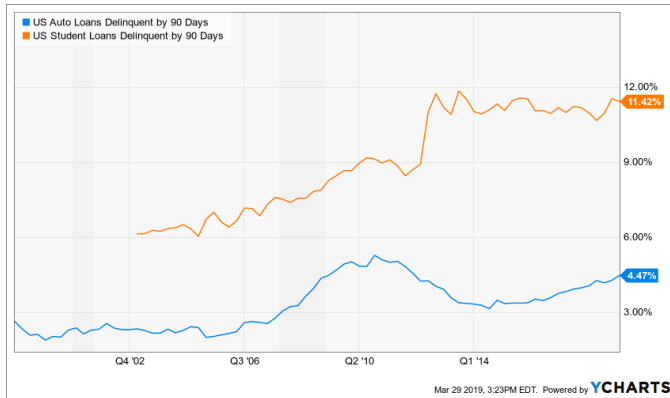
Looking at the other side of the argument – that risks are indeed building up in the economy – we turn to the housing market. Housing statistics tend to be a bit more moody in terms of messaging – negative growth rates for building permits, for example, often precedes an economic recession. Currently, building permit growth has indeed turned negative along with various other housing signals. While this bears watching, it is not yet a critical warning sign.



There are segments of the economy, such as younger demographics, that find themselves with strong job prospects on the one hand but higher debt loads on the other. Delinquency rates for student loans, for example, are climbing.

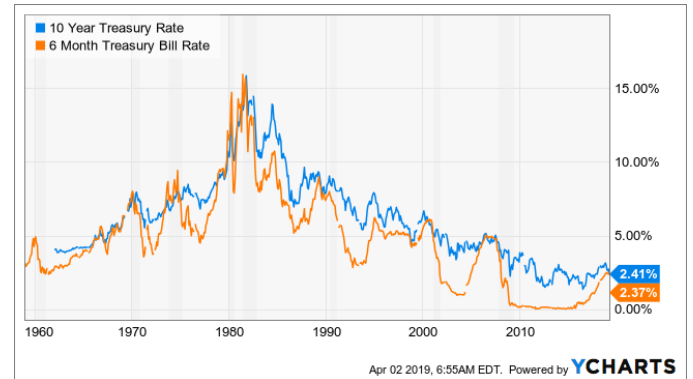
We also see a rising trend in auto loan delinquency rates.

Together, student and auto loans make up less than one-third of the combined mortgage and home equity loan markets. As such these loan segments do not pose an immediate threat to growth, but are also worth tracking.



Finally, interest rates tell a fascinating story of their own. Specifically, when short term rates rise to levels on par with (or higher than) long-term interest rates, it is commonly referred to as a negatively sloped yield curve and frequently precedes recessions. The reasons for this are theoretical but relate simply to the idea that falling long-term rates indicate market expectations for a slowing economy and rising short-term rates make it more difficult for businesses to borrow for short-term purposes. The resulting affect is a slowdown in activity at a time when outlooks are declining.

Today short-term rates have indeed pierced the veil of long-term rates – albeit briefly. After a period of rising short-term rates, courtesy of the Federal Reserve, long-term rates pulled back enough to create a negatively sloped yield curve (for certain maturities and for a very short period of time), causing some concern. Plenty of arguments have been voiced on both sides of the debate regarding how concerned investors should be. We believe this is a risk worth watching but is not currently enough to alter our view that the economy will continue to grow.



In conclusion, we believe markets are poised for continued growth over the next year given this positive economic view and in light of the pullback from last year. For most investors, a long-term strategic allocation based on personal goals and objectives should dominate your investment allocation, however, there is sufficient risk in the economy that may warrant a bit of extra cash or additional low-risk investments.

Important Disclosures:

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk and there can be no assurance that future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Aviance Capital Partners, 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. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Aviance Capital Partners, LLC. Any questions regarding the applicability of any specific issue discussed above to an individual's situation should be directed to the professional adviser of his/her choosing. Aviance Capital Partners, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of Aviance Capital Partners, LLC's current written disclosure statement discussing our advisory services and fees is available for review upon request.