Northern Oak Wealth Management, Inc.

Market Commentary
Spring 2019

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It is a tale told by an idiot, full of sound and fury, signifying nothing.

From Macbeth

While Shakespeare was referring to life in this line in Macbeth, it has made us think of the markets since early October. Equity markets collapsed late last year and have now fully rebounded back to their previous levels and more, as if nothing happened. In fact, except for the ups and downs of the markets, we don't think much has changed in the U.S. economy over the past six months. Markets do, in fact, move much more in both directions than the economy because markets are driven by investors' emotions and that can cause a lot of unease. We admit, December was not fun, and its hard to say the drop in the market didn't take some of the joy out of our holiday season. However, as we said back in December, the market was overreacting to recession fears that we felt were unwarranted. After all, the economy did grow over 4% in the second quarter of last year and entering a recession just a few months later seemed unlikely, though not impossible. Had the Federal Reserve not reversed course on its interest rate hikes planned for 2019, the economy may have experienced a self-inflicted recession. Historically, recessions have commenced subsequent to a peak in Fed rate hikes. There is on old saying on Wall Street that says not to fight the Fed. In other words, if the Fed is raising rates, be defensive and vice versa.

Where do we go from here? The impact on earnings has been modest as estimates for 2019 have fallen about 5% since last Fall. Yet, growth in earnings is still forecasted in the mid to upper single digits for the full year. In addition, recent economic data has hinted at a reacceleration in the economy in the second half of the year. Gross Domestic Product (GDP) increased 3.2% in Q1, up from 2.2% in Q4. In addition, new job creation has exceeded expectations. We believe these data points reflect renewed confidence in the economy which should spur investment and economic growth. The largest obstacle facing the economy is a breakdown in the U.S. China trade talks. We feel a deal is mostly priced into the markets, so anything short of this could derail economic growth and the uptrend in the markets. We believe a deal will happen and think the end to 2019 will fare better for investors than what Shakespeare had in store for Macbeth!

Please see First Midwest's *Market Outlook* for even further commentary.

Merger with First Midwest Bank, Inc. (FMBI).
Our merger with First Midwest Bank, Inc. was completed in the first quarter of this year. First Midwest brings to Northern Oak a plethora of additional services that we can now offer to our clients including private banking, mortgage loans, insurance services, review of estates and trusts and bill paying capacity to name just a few.

Importantly, First Midwest Bank, Inc. has assumed several administrative, compliance, legal and accounting functions. These "non-investment" related functions, over the course of the years, have required increasingly larger amounts of time and attention, taking time away from those things that our firm does best. As the transition continues, we look forward to working with and helping our clients even more. The merger is working out better than we could have ever imagined, so please look for even more synergies with First Midwest Bank, Inc. as we become even more integrated with the bank.