

#### US Markets April: Facebook and Amazon lead markets to an all-time high

*Major equity gains and forex movements underpin portfolio NAV growth of 3.5%*

After a surging first quarter, the stock market maintained its strong momentum right throughout April. Records continued to tumble as the major indices notched up their best four-month start to a year in 20 years. In the process, both the S&P 500 and NASDAQ recorded their highest ever closing prices.

Index	April Performance	YTD Performance
Dow Jones	2.6%	14.0%
NASDAQ	4.7%	22.0%
S&P 500	3.9%	17.5%

US markets received a positive lead at the beginning of the month courtesy of upbeat manufacturing data out of China that showed the world's second largest economy may be starting to stabilise. It shouldn't be forgotten just how much the Chinese government has at stake ensuring its economy bounds along, so we're expecting further intervention at the slightest hint of slowing growth. This bodes well as a backdrop to support US equities.

On the topic of China, it is little surprise trade negotiations between the two economic superpowers is dragging on and on...and on. At least neither party appears to have put their foot in their mouth at this stage – with progress being made. Nevertheless, it's hard but not to think a 'perfect' outcome is priced into markets already. Although that does make us wonder, could the old adage of buy the rumour, sell the news eventually ring true?

The US economy also continued to show signs of resilience as we've forecast for some time now. Jobs growth has continued to trend at a high pace, while consumer spending levels also increased during February and March. In what was perhaps the strongest sign yet pointing to a strong outlook, economic growth during the first quarter surprised to the upside with a reading of 3.2%.

Meanwhile, inflation is still subdued, which is what we expect to continue for some time. This is also supporting the Federal Reserve's neutral if not cautious stance – you can all but rule out any drastic moves at this stage, otherwise it's a sure thing President Trump will have some choice words to say on the matter.

#### Heavyweights make their mark

Around three quarters of companies that reported earnings during April beat consensus forecasts. With most of those reporting among the market's largest stocks, it served as a strong catalyst behind April's indices gains and a boost in investor sentiment.

Financial stocks kicked off the earnings calls, with mixed results among the big banks. **JP Morgan Chase** (JPM) and **Morgan Stanley** (MS) stood out, up 14.7% and 14.3% respectively, with their results receiving strong backing. **Citi** (C) also recorded strong gains in April (13.6%), despite its report not garnering the same level of attention. Meanwhile, a revenue miss from **Goldman Sachs** (GS) and a dour outlook from **Wells Fargo** (WFC) set them back initially, before recovering across the month.

**Microsoft** (MSFT) produced a significant earnings beat and became the second company to close above a one trillion dollar market cap, rising 10.7% during April. At the end of January we reviewed Microsoft with a view that its disappointing results at the time were akin to a reset of expectations, so it was good to see our conviction follow through.

**Facebook** (FB) was another standout performer, leaping 5.9% on reporting day and 16% for the month. The most promising aspects of the report were growth in user numbers, revenue and the strength of the company's cash flow. We are unperturbed by a likely US\$3bn fine from the Federal Trade Commission, as it has been priced in. We are encouraged by the stock's outlook thanks to its investment into growth across all metrics.

There were lots of positives in **Amazon's** (AMZN) first quarter report, especially the sizeable earnings beat. We were somewhat concerned by the revenue and earnings guidance provided for the current quarter, though if there is one company we believe can surprise even the biggest pessimist, Amazon is it. Shares closed 8.2% higher in April.

**Alphabet** (GOOGL) was the most surprising disappointment among results. The company shed 7.5% in a single day, with its slowest quarter of growth since 2015. While something to be wary of, the company had rallied into its earnings, and has also set expectations lower for the second quarter. We prefer this approach rather than the company cutting its investment spend, so at this stage there isn't any cause for alarm.

Other companies which fell short during this round of results were **Walgreens Boots Alliance** (WBA), **3M Company** (MMM) and **Intel Corporation** (INTC). The normally reliable trio each incurred steep losses, with Walgreens and 3M falling short in terms of earnings forecasts, and Intel putting in flat revenue.

### Portfolio Performance

During April we managed to grow the portfolio **Net Asset Value** (NAV) by 3.5% compared with the end of the month prior. This includes the effects of quarterly advisory fees. In this respect, we fared very well against the primary indices and would have outperformed all three but for the 20% performance fee incurred at the beginning of the month, which otherwise would have boosted portfolio NAV by nearly 2%.

In total, **gains on equities** were 4.8% of April's opening NAV. In addition, this does not include large gains posted by **Apple** (APPL) in after-hours trade at the very end of April, when its stock surged following the release of positive earnings results.

While not yet included in our performance results, Apple stock still contributed strongly to our gains for the month, since the stock was 5.6% higher.

Microsoft and Amazon – detailed earlier – both accounted for significant gains to portfolio NAV and remain core holdings on account of the direction each business appears to be heading. The former was a position we re-entered, while new additions included the likes of **Advanced Micro Devices** (AMD), **Anthem Inc** (ANTM), **Facebook**, **JP Morgan**, **Lockheed Martin** (LMT), **Northrop Grumman** (NOC) and **Zillow Group** (ZG).

**Equity and index options** had a negative return of 0.2% for the month, albeit this was mainly due to the positive movement in the underlying stocks we held.

There was no **realised income** on our equity holdings during April since we only added positions and did not sell any stocks. However, there was a minor level of realised income for equity and index options, which totalled 0.1%. We are currently holding significant gains as **unrealised income**, with this representing 7.6% of the April's starting NAV.

In terms of **forex**, we benefitted from an increase in the USD/AUD, which moved from 1.4091 to 1.4185. Our portfolio NAV grew 0.8% as a result. At April 30 **cash** is 9.8% of all assets, following additional capital being deployed into the portfolio towards our new positions.

### Top 10 Holdings

<i>Company</i>	<i>Code</i>	<i>Weight (%)</i>
<i>Apple</i>	AAPL	7.83
<i>McDonalds</i>	MCD	6.49
<i>CME Group</i>	CME	5.71
<i>Alphabet</i>	GOOGL	5.66
<i>Visa</i>	V	5.33
<i>Adobe</i>	ADBE	4.69
<i>Alibaba</i>	BABA	4.60
<i>Amazon</i>	AMZN	4.51
<i>Microsoft</i>	MSFT	4.24
<i>Nike</i>	NKE	4.22

### Economic data and events to watch

With retail sales having showed signs of improvement last month, the next reading will be one indicator we watch closely to get a better gauge for spending and economic activity.

The Federal Reserve minutes are unlikely to include any specific remarks calling for a shift in rates, even with the strong economic growth numbers put in during April.

<b>Data/Event</b>	<b>US Date</b>
<i>Manufacturing PMI</i>	May 1
<i>Federal Reserve interest decision</i>	May 1
<i>Non-farm payrolls</i>	May 3
<i>Balance of trade</i>	May 9
<i>Inflation readings</i>	May 10
<i>Retail sales</i>	May 15
<i>Consumer Sentiment</i>	May 17
<i>Federal Reserve minutes</i>	May 22
<i>Durable goods orders</i>	May 24
<i>Personal income</i>	May 31

### Upcoming earnings results

The following high profile companies are set to release their respective earnings results during May.

<b>Company</b>	<b>Code</b>	<b>US Date</b>	<b>Company</b>	<b>Code</b>	<b>US Date</b>
<i>Glaxosmithkline</i>	GSK	May 1	<i>Macy's</i>	M	May 15
<i>Dow Chemical</i>	DWDP	May 2	<i>Walmart Inc.</i>	WMT	May 16
<i>The Walt Disney</i>	DIS	May 8	<i>Nvidia Corporation</i>	NVDA	May 16
<i>Kraft Heinz</i>	KHC	May 8	<i>The Home Depot</i>	HD	May 21
<i>Toyota Motor</i>	TM	May 14	<i>Lowe's Companies</i>	LOW	May 22
<i>Alibaba Group</i>	BABA	May 15	<i>Target Corporation</i>	TGT	May 22
<i>Tencent Holding</i>	TCEHY	May 15	<i>Costco Wholesale</i>	COST	May 30
<i>Cisco Systems</i>	CSCO	May 15	<i>Dell Technologies</i>	DELL	May 30
<i>Macy's</i>	M	May 15			

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