BH | *Beech Hill Advisors*

September 2019

Dear Clients,

The third quarter of 2019 saw little change in the major equity indexes with the Dow, S&P 500 and NASDAQ returning 1.19%, 1.18% and -.08% respectively as ongoing trade tensions continue to mute future growth projections. We also saw the US ten-year note appreciate in price reducing the yield to a paltry 1.7% at quarter end. Our portfolios performed in line for the quarter with our income-oriented positions understandably outperforming growth. As noted in our August update, markets will continue to pivot based on the prevailing viewpoint regarding a trade agreement. Other risks added to the front burner include the presidential impeachment effort, oil price shocks as Saudi Arabia and Iran hostilities escalate, and a messy Brexit outcome. Considering these uncertainties, risk appetite has been subdued and the equity indexes are range bound until they are resolved. Domestically, the US consumer continues to power growth benefitting from record unemployment, rising wages and low inflation contrasted against the uncertainties facing global corporate chiefs.

In risk-aversive fashion, outperforming the markets were the utility, REIT and consumer staple sectors while the cyclical groups, energy, materials and transportation lagged. We anticipate continued investor preference toward defensive positioning with less cyclical exposure and an increased weighting in the more consistent and conservative segments. As such we continue to revise our portfolios in the same approach. During the quarter, we reduced positions in the energy, materials, and industrial groups and added to our holdings in the utility and consumer discretionary segments. Additionally, we have begun to include convertible preferred securities in our asset allocation in order to provide a combination of income and growth less correlated to the equity indexes. We believe that a more defensive stance is appropriate until the aforementioned geopolitical issues reach some sort of resolution and there is more conviction in a continued economic expansion.

Third quarter earnings reports begin in earnest in the next few weeks providing improved clarity and tone for investors. We will take our cue from these reports and forecasts and revise portfolios accordingly. Enjoy the fall and as always, please do not hesitate to call if you have any questions.

Best regards,
Beech Hill Advisors