NEXBANK NOTES

April 2019

Our Fundamental View:

The storm clouds we described as ‘intensifying’ last month led to a real squall, with economic data across the globe disappointing badly in March. China provided a ray of sunlight as the month ended however, giving hope that the skies may soon clear.

Like last month, these concerns translated into lower long term interest rates – both in the US and abroad. In fact, while the US 10-yr. Treasury closed March yielding a paltry 2.41%, this is huge compared to the *negative* rates for similar sovereign debt in both Germany & Japan (which yield -0.07% and -0.09%, respectively).

Our Technical View:

Also like last month, stocks are in better shape technically than the headlines suggest. The first quarter rally has been extremely strong, and has reversed the bulk of the bear market declines during Q4 2018.

More importantly, broad market indices are back through their 40-week moving averages, a measure widely used to define ‘bull’ & ‘bear’ markets. Additionally, the percentage of stocks on the NYSE which are back through that key area is holding above 40%, which we use to confirm a new cyclical upswing.

Finally, the biggest risk to the market (in our view) is the ever narrowing spread between 3 mo. and 10 yr. US Treasuries. This spread tightened markedly last month, at one point inverting on March 22nd. A condition we do not want to see persist.

Consensus Call of the Month:

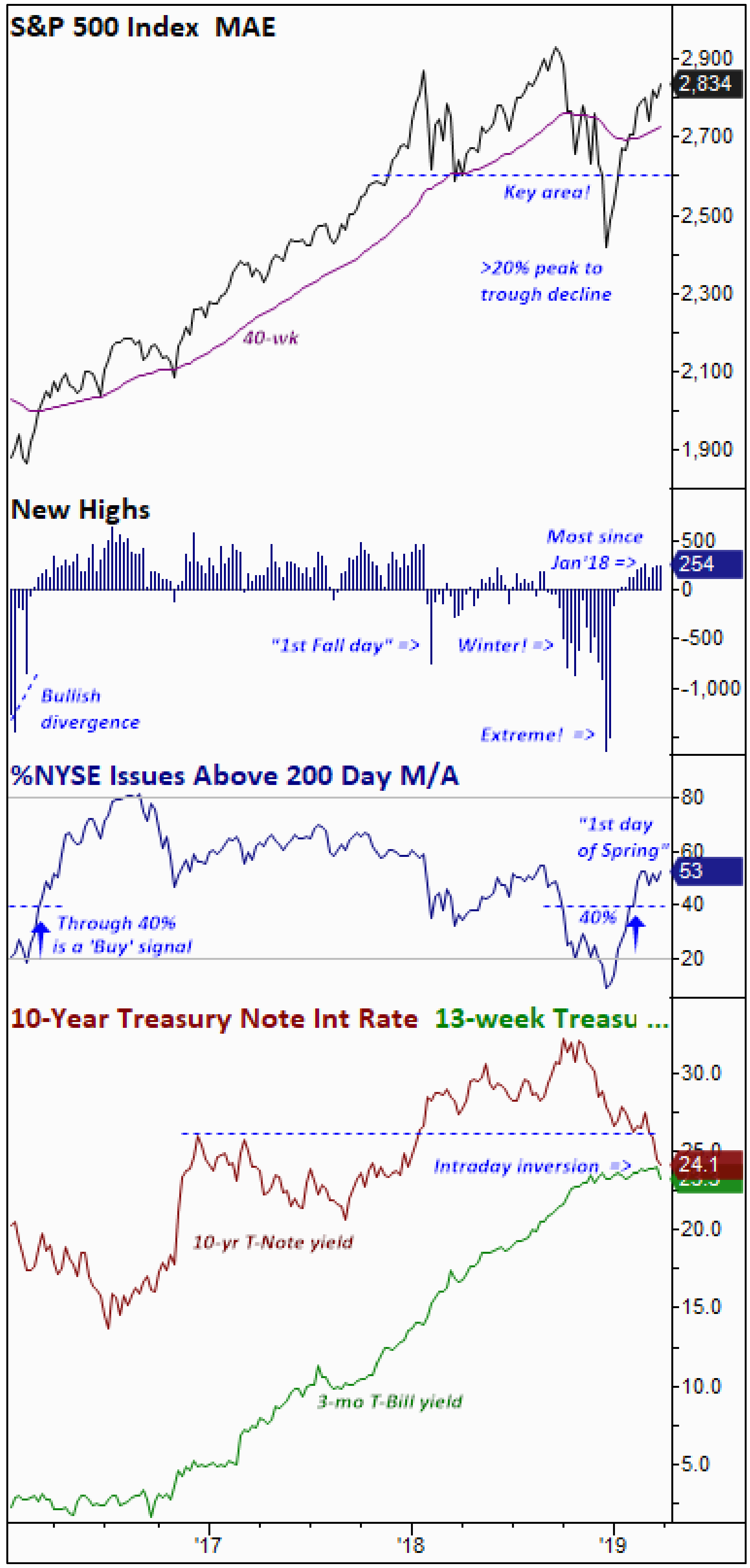
Despite concerns over global economic data, it has become quite popular to be bullish on emerging markets. We are indeed part of this crowd, having featured them ourselves as ‘turning the corner’ here in Feb. While it sometimes pays to be a contrarian investor, we believe the strength in the emerging markets is a secular theme, and something which could last for years.

Contrarian Call of the Month:

Finally, while most industry professionals are looking for lower rates, we take the opposite view. This is based on the potential for improvement in global economic conditions, as well as the deeply oversold condition of US Treasury yields. While only time will tell, we believe there is a very good chance that the low of 2.37%, on 3/27, on the 10-yr Note will be its low for the year.

James Dondero, CFA
Portfolio Manager

Mike Hurley, CMT
Portfolio Manager



Charts courtesy of TradeStation, as of March 29, 2019

About NexBank Wealth Management

NexBank Wealth Management is a privately owned, independent wealth manager located in Dallas, Texas. The team is led by award-winning investment professionals, with an average of 25 years of experience working with some of the world's most distinguished institutional clients and financial institutions. NexBank Wealth's actively-managed approach guides clients through complex and evolving markets. Contact our Client Services Team for more information.

Contact Information

NexBank Wealth Management
300 Crescent Court
Suite 700
Dallas, Texas 75201
www.nexbankwealth.com
info@nexbankwealth.com
972-419-2500