Green grass and high tides

It has been a very strong start to 2019. The broad-based S&P 500 Index has advanced nearly 18% in just four short months, and the tech-heavy NASDAQ Composite has surpassed the 20% mark.

More good news: The S&P 500 Index and the NASDAQ have both topped previous highs. It's quite a snapback from the gloomy outlook and oversold conditions we saw in late December.

Some of this year's rebound is simply timing. After a steep sell-off last year, the major market indexes bottomed in late December. Hence, much of the rally has occurred since the end of December. But let's not discount the fundamentals.

What has been powering the rally?

1. Recession fears have faded. Put another way, recessions tend to crush profits and severely dampen the outlook for profits. Earnings growth isn't very strong right now, but Q1 reports are topping a low hurdle.

2. After slowing through much of 2018, the global economy appears to be stabilizing.

3. The Federal Reserve is on hold and interest rates remain low. Last year, the 10-year Treasury yield peaked above 3% (Bloomberg). Today, it's hovering near 2.5%. Given expectations of modest economic growth, options to earn a higher return in less volatile investments are seemingly limited, reducing competition for stocks.

4. Investors purportedly remain optimistic that U.S. and Chinese trade negotiators will come to terms on an ever-elusive trade agreement. Here's a headline in the April 29 *Wall Street Journal*: (Treasury Secretary) "Mnuchin Suggests China Trade Talks Could Wrap Up by End of Next Week" (or about May 10). It's encouraging.

Berkshire Hathaway Meeting

As many of you know, we took the opportunity to attend the Berkshire Hathaway annual meeting in Omaha, Nebraska. This meeting has been coined "The Woodstock of Investing".

It was interesting to note that Berkshire Hathaway has $118 billion currently in cash. They choose to have the money in cash to enable them to be able to make a big move. It is also interesting to note that they have it on hand to buy back shares.