

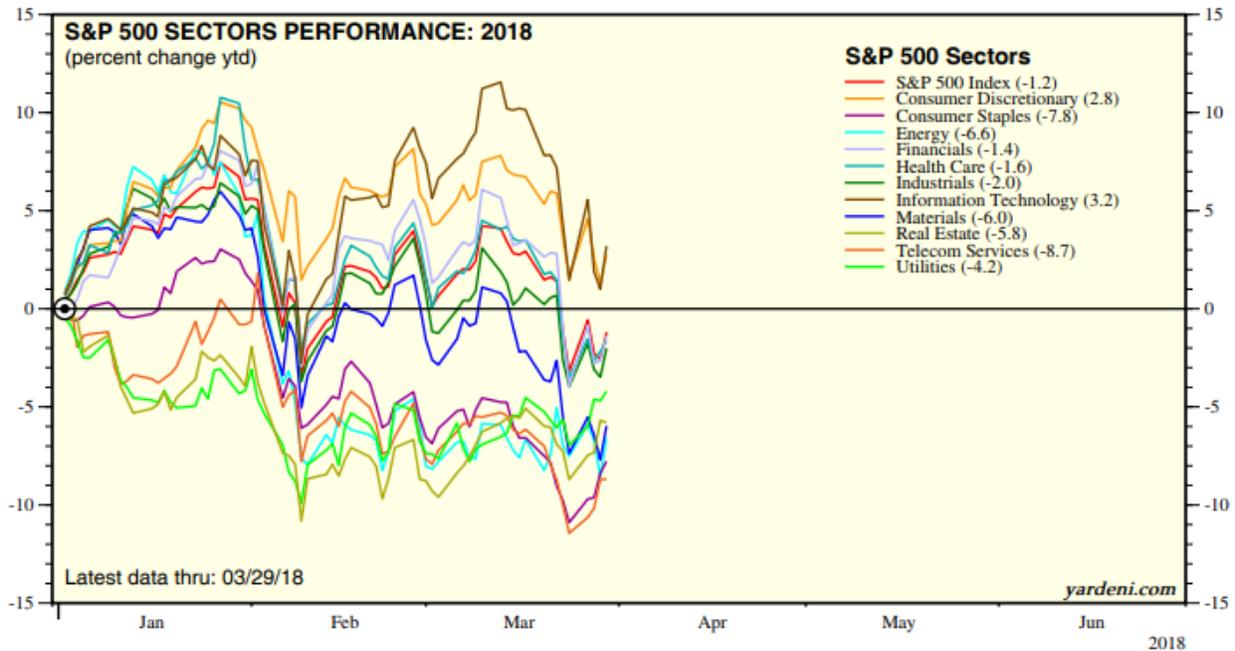


Last Week:

- The Dow Jones Industrial Average recovered some of the prior two weeks' losses and picked up +2.4%
  - For the week, all 30 stocks advanced, led by Intel, **Microsoft**, Procter & Gamble, WalMart and Home Depot
  - The index finished the quarter in the red (-2.5%), a stark reversal from the solid first month of the year
    - It was the first down quarter since the third quarter of 2015



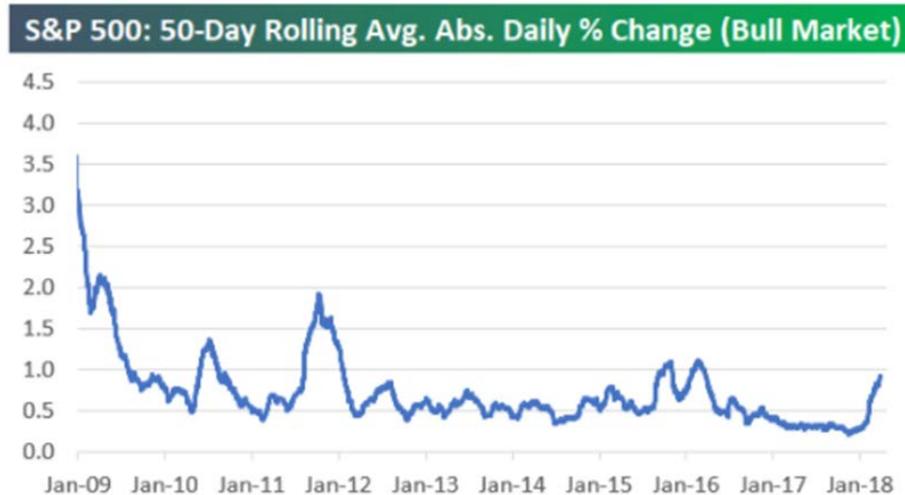
- Top gainers were Intel +12.8%, **Cisco** +12.0%, and Boeing +11.2%
- The biggest decliner by a wide margin was General Electric (-22.8%), followed by Procter & Gamble (-13.7%), ExxonMobil (-10.8%) and DowDupont (-10.5%)
- Dow Transports accelerated +2.3% but in the first quarter reversed (-2.0%)
- Dow Utilities tacked on +2.8% for the week but struggled thus far in 2018 (-4.3%), posting its second consecutive down quarter
  - The index is nearly flat for the last twelve months
- The S&P 500 was up +2.0%
  - For the first quarter the index was down only (-1.2%), but it was the first Q1 in the red since 2009
    - Only two sectors stood out to the upside for the quarter, Consumer Discretionary +2.8% and Technology +3.2%
    - Underperforming more widely were Telecom (-8.7%), Consumer Staples (-7.8%), Energy (-6.6%), Materials (-6.0%) and Real Estate (-5.8%)
  - Laggards were Materials and Financials



- The S&P Smallcap finished the week +1.7%, and stood out from the crowd in the first quarter with a gain, +0.2%
- The S&P Midcap 400 rallied +2.1% but was down (-1.2%) for the quarter
- NASDAQ was even more of an outlier, with a tough relative week +1.0% but a very nice quarterly gain of +2.3
  - It was the best of times, it was the worst of times ... On Monday, the index jumped more than 3.2%, its best one-day gain since August 2015. Tuesday, it hemorrhaged following a variety of concerns, including continued consumer data worries for social media stocks, a fatality that occurred in an autonomously driven vehicle, and a downgrade of Tesla's credit rating
- Overseas markets fell in line with US markets, gaining for the week but declining through the first quarter
  - The Euro Stoxx 600 was up +1.4% but finished the quarter down (-4.7%)
    - London's FTSE 100 had the best week +2.0% and worst quarter (-8.2%)
    - Germany's DAX gained +1.7% for the week, finishing the quarter (-6.4%)
    - France's CAC was up +1.4% while faring better during the quarter (-2.7%)
    - Moscow was a first quarter standout, gaining +8.2%
  - AsiaPac stock markets were more mixed but still lower
    - Hong Kong's Hang Seng dropped for the week (-0.6%) but registered a quarterly gain +0.6%
    - China's Shenzhen was down only (-0.8%) for the quarter after a +1.9% weekly gain, while Shanghai finished the quarter (-4.1%)
  - Japan's Nikkei was up big for the week +4.1% to finish (-5.8%) for the quarter



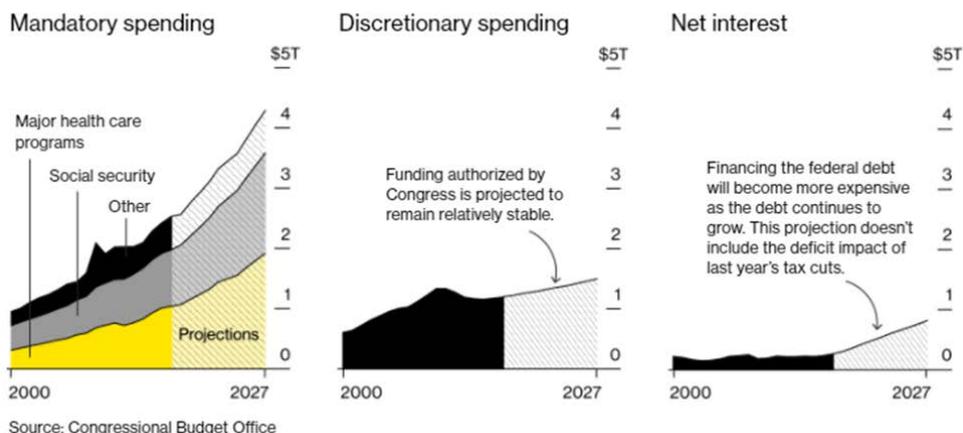
- The VIX Volatility Index calmed a bit, finishing at 19.97, down from 24.87 last week, but up significantly from 9.52 at year end 2017
  - Daily volatility has also risen sharply in the first quarter



Source: Bespoke

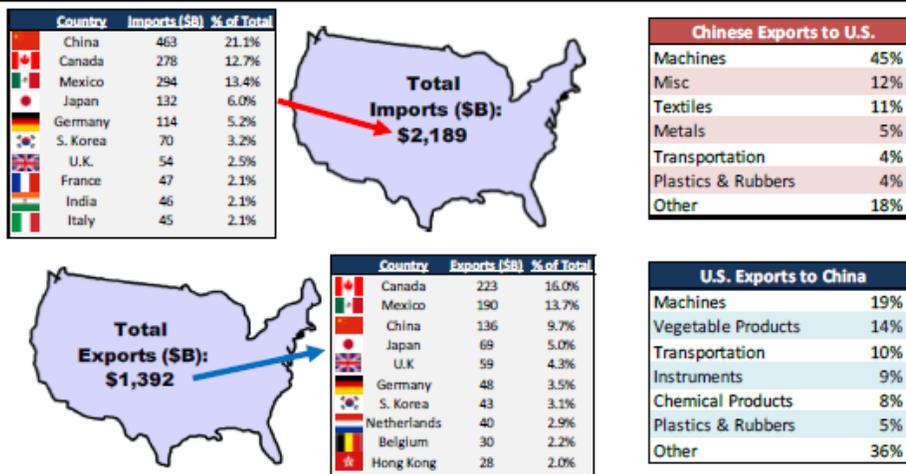
- The 10-year Treasury finished the quarter at 2.74%, down 8 basis points (bps) for the week, but up 33 bps from year end
  - The 2-year Treasury is at 2.27%, up 38 bps from its year end level of 1.89%
  - The spread between the two yields is down to 47 bps, the narrowest level since 2007
- Crude oil finished the week off slightly at \$64.94, while it is up \$4.67/barrel for the quarter
- Gold finished the quarter at \$1,327, up only \$15/ounce since the beginning of the year and down \$28 for the week
- The US Dollar Index closed at 90.15, up 0.71 for the week, but down over 2% since year end, and down 12.4% since the peak at the end of 2016
- Bitcoin suffered more in the first quarter, falling 45% to \$7,266
- After setting a 32-year low of 12.6% on January 31 according to Investors Intelligence, Bears climbed for a fourth consecutive week to 17.5%, while Bulls tumbled to 49.5% compared to 55.5% the week prior
- The diplomatic corps was on the move last week, mostly involuntarily, as a total of 27 countries including the US expelled consulate staff and/or closed offices ... Russia, not surprisingly, responded in kind while denying any involvement
- Bloomberg offers some visuals that depict the trajectory of government spending across three major categories, a timely set of charts following Congress and the President approving a \$1.3 trillion spending plan through the end of the government's fiscal year in September

**Health Care, Social Security Driving Growth in Projected Spending**



- Tariffs are the talk of the government:
  - China and the US publicly are adding tariffs to an assortment of products publicly while it is reported that privately they are discussing an improved trading relationship
  - NAFTA talks have been going much better recently, and a resolution could come sooner rather than later

**U.S. Trade Summary**



Sources: Wolfe Research Portfolio Strategy, Bureau of Economic Analysis, Census Bureau, IMF, MIT-The Observatory of Economic Complexity, and Bloomberg.

Source: Wolfe Securities

- Meanwhile, use of personal data has become the talk of the town:
  - Facebook remained in the crosshairs of discussions about privacy and personal information, and Alphabet and others are being dragged into the fray
  - Executives of internet companies are likely to testify before Congress in the coming weeks
  - Facebook CEO Marc Zuckerberg declined an invitation to meet with the UK Parliament



- President Trump seemed to take a dislike on a number of new fronts
  - He dissed Amazon publicly ... some believe the impact on retail real estate may be more unsettling than the impact on taxes or the USPS
  - He fired Veterans Affairs Secretary David Shulkin and replaced him with the White House physician, Rear Admiral Ronny Jackson
- Hudson Bay (Saks and Lord & Taylor) were hit with a data breach that could expose credit card info for 5 million shoppers
- WalMart and Humana are reported to be having discussions regarding a merger
- Tesla recalled nearly 40% of vehicles sold to replace a bolt that could cause a safety problem with the power steering
- North and South Korea plan to hold a summit meeting starting April 27
- Glaxo is buying Novartis' consumer products businesses for \$13 billion
- The Case-Shiller Home Price Index rose 6.2% year-over-year (matching the consensus forecast), with several west coast metro markets recording double-digit percentage gains
- Chicago PMI fell 4.5 points to 57.4 in March, its lowest level in a year
- Consumer Confidence printed 127.7 in March, down from 130 in February and missing the 131.0 consensus estimate, but still near an 18-year high
- Personal Incomes rose 0.4% in February, matching the consensus expectation, while Personal Spending edged up 0.2%, also matching forecasts
- The Federal Reserve's preferred inflation gauge, PCE, rose 1.8% year-over-year, within a whisker of the Fed's 2% target
- Weekly Jobless Claims came in at 215,000, better than the 230,000 consensus forecast and the lowest level since 1973



**This Week:**

- US markets look to open slightly lower to start the week
- Most major European markets are closed for Easter Monday
- In the Pacific, major markets closed slightly lower with Hong Kong also closed for the holiday
- Banks submit their most recent stress test results to the Fed on Thursday
- Fed Chairman Jerome Powell speaks in Chicago on Friday regarding the outlook for the economy in the US
- Election results out of Egypt are expected today
- Spotify is expected to list its shares on Tuesday, with insiders providing the initial supply rather than the company selling new shares in an Initial Public Offering (IPO)
- Wednesday is the 50<sup>th</sup> anniversary of the assassination of Rev. Martin Luther King
- It's a light week for earnings:
  - Tuesday: Dave & Busters and International Speedway
  - Wednesday: **Acuity Brands, CarMax, Lennar** and Ollie's
  - Thursday: Monsanto
- Economic reports:
  - Monday: Manufacturing ISM
  - Wednesday: ADP jobs report, Markit Services PMI, Non-Manufacturing ISM, Factory Orders and Revised Durable Goods for February
  - Thursday: Jobless Claims and the US Trade Balance
  - Friday: Jobs Report and Unemployment Rate

As always, thanks very much for your interest and support.

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