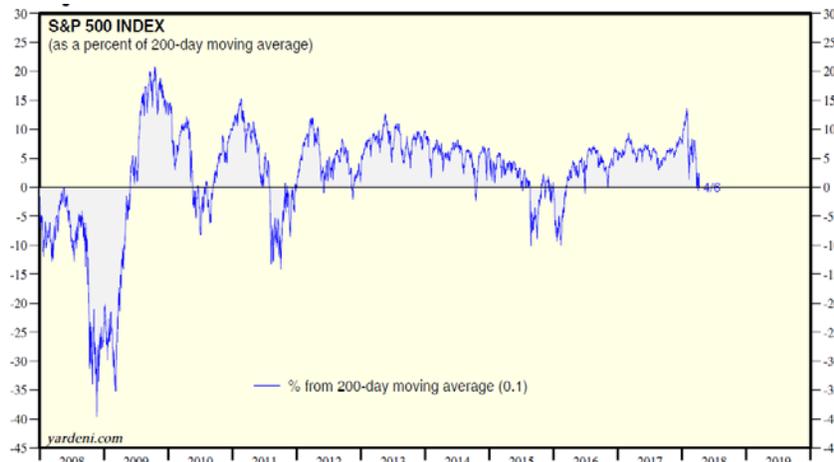




Last Week:

- The Dow Jones Industrial Average kicked off the second quarter with some volatility but finished on the negative side of the ledger, pulling back (-0.7%).
 - A Dow Theory sell signal was generated Monday, just in time for the Dow to print a 340 point gain Tuesday!
 - For the week, decliners outpaced advancers 21-8 (DowDupont was flat)
 - Top gainers were **United Health** +4.7%, McDonalds +3.1%, and Nike +1.7%
 - The biggest declines were posted by Intel (-6.3%), Cisco (-5.0%), 3M (-3.3%), General Electric (-3.1%) and Caterpillar (-3.0%)
- Dow Transports slid more out of control with a decline of (-2.4%)
- Dow Utilities stayed close to break even, with a small pullback to (-0.2%)
- The S&P 500 was trekking along nicely until a two percent pullback in the index on Friday, and finished the week (-1.4%)
 - The Index fell below its 200 day moving average for the first time since 2016



Source: Standard & Poor's.

- It was a clean sweep as all sectors fell for the week
 - Energy, Utilities, Consumer, Real Estate and Materials all managed to fall less than one percent
 - Sectors that underperformed were Technology, Industrials, Telecom and Health Care
- The S&P Smallcap started the quarter on a bit better foot, only retreating (-0.4%) while the S&P Midcap 400 was more in line at (-1.3%)
- NASDAQ took the brunt of the negative sentiment for the week and sank (-2.1%)
- Globally, stocks were mixed with Europe to the up side while Asia Pacific saw more modest declines
 - The Euro Stoxx 600 was up +1.1%
 - London and Paris fared better than the most of the continent, gaining +1.8% each
 - Germany's DAX was more in line +1.2%
 - Mexico City must have liked the trade news globally or with NAFTA, and gained +4.0%



- AsiaPac stock markets were more mixed
 - Tokyo saw prices move ahead +0.5% while Bombay jumped more +2.0%
 - China's Shenzhen declined (-0.6%) for the week while the Shanghai finished lower by (-1.2%), and Hong Kong fell (-0.8%)
- The VIX Volatility Index hovered around 20 all week before finishing at 21.49, up about a point and a half
 - The following chart shows the percentage of days over the trailing three months when stocks have moved by 1% or greater



Source: Bespoke Research

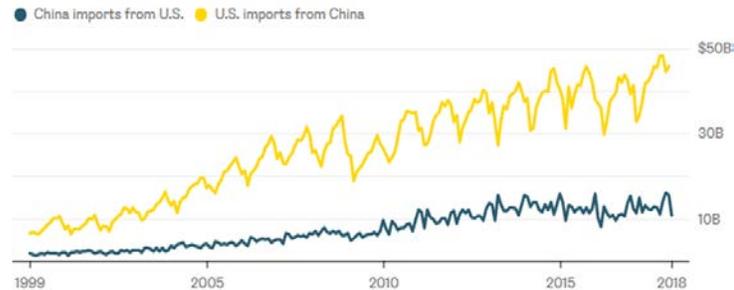
- The 10-year Treasury finished at 2.78%, up 4 basis points (bps) for the week, ignoring the ebb and flow of news impacting the markets on a daily basis
- Crude oil dipped nearly \$3/barrel to close at \$62.06
- Gold notched up \$9/ounce to \$1,336
- The US Dollar Index was nearly unchanged for the week, remaining just above 90 at 90.07
- The tariff news seemed to take center stage throughout the week
 - The American Farm Bureau Federation lashed out with a statement about tariffs saying: "We know markets ebb and flow. But China's threatened retaliation against last night's U.S. tariff proposal is testing both the patience and optimism of families who are facing the worst agricultural economy in 16 years. We ... cannot afford to lose any market, much less one as important as China. This has to stop. We urge the United States and China to return to negotiations and produce an agreement that serves the interests of the world's two largest economies"
 - President Trump tweeted that our country isn't in a trade war with China, because "that war was lost many years ago by the foolish, or incompetent people who represented the U.S. Now we have a trade deficit of \$500 billion a year. When you're already \$500 billion down, you can't lose"
 - Commerce Secretary Wilbur Ross seemed to indicate, however, that while there may indeed be a trade war, "even shooting wars end with negotiations." We presume that comment was intended to be reassuring



- Recently installed National Economic Council director Larry Kudlow said: “At the end of this whole process, the end of the rainbow, there’s a pot of gold.”

It Takes Two to Tango

Bilateral trade between China and the U.S. is running at more than half a trillion dollars a year

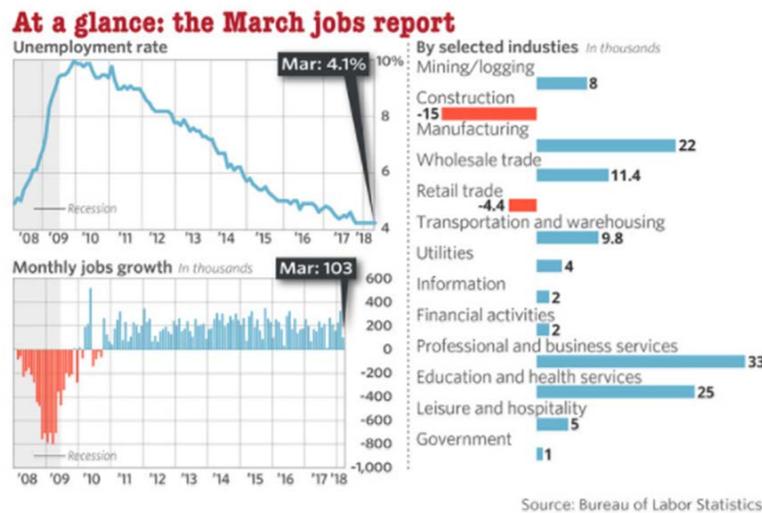


Source: Bloomberg

- China’s Vice Minister of Commerce replied that, “If someone wants a trade war, we will fight to the end”
- Elsewhere in trade news, Canadian Prime Minister Justin Trudeau said Thursday morning that NAFTA talks are “moving forward in a significant way”
- Globally, tensions seem to be rising more than abating
 - A suspected chemical attack in Syria over the weekend drew sharp lines between the US and Russia as many countries denounced the situation
 - President Trump threatened \$100 billion more in tariffs against China, a threat which was softened when NEC director Kudlow quipped the tariffs “are still only proposals that might never take effect”
 - On the positive side, the US confirmed that North Korea is open to discussing denuclearization in talks later this spring
 - Uncertainty still exists regarding the US plans to continue with the Iranian nuclear agreement or scrap it
 - Another van drove into a crowded area in Muenster, Germany, killing several
- In corporate news:
 - Deutsche Bank replaced its CEO not surprisingly
 - Novartis announced plans to acquire gene therapy company AveXis for \$8.7 billion
 - CBS and Viacom have started the dance to merge, with Viacom looking for a sweeter bid than the original offer
- Fitch reaffirmed its triple-AAA rating of U.S. sovereign debt, though cautioned that “rising deficits and debt could eventually test credit strengths, in the absence of reform”
- The New York Federal Reserve named San Francisco Fed President John Williams to be its next president. A number of past New York Fed Presidents have gone on to bigger and greater things after their Fed presidencies



- Italy revised up its budget deficit and federal debt, now including the costs of rescuing one bank and liquidating two others, which cost a total of 6.3 billion Euros. What's a few billion amongst friends? That expanded the country's deficit in 2017 to 2.3% of GDP versus an originally reported 1.9%
- Spotify came public Tuesday via an unusual mechanism called a direct listing. The music-streaming service declined to conduct the typical IPO roadshow and won't restrict insiders via a typical six-month lockup following its public listing. Also interesting is that the company's losses more than doubled in 2017 to more than \$1.5 billion. The company indicates in its public filing that it has "incurred significant operating losses in the past, and may not be able to generate sufficient revenue to be profitable, or to generate positive cash flow on a sustained basis." The company went on to state that its direct offering does not offer "the same safeguards as an underwritten public offering, which may result in the public price of our shares being volatile and declining significantly upon listing." Anyone enthusiastic about participating in that?!? Shares initially began trading north of \$167, which marked the top tick of the day; by day's end, shares fetched \$150. One day later, shares traded hands in a range of \$135-\$148. How's that for volatility?
- ISM's Manufacturing Index slipped to 59.3 in March from February's 60.8, which marked a 14-year high. The March tally was a bit shy of the 60.0 consensus estimate
- The Non-Manufacturing Index also slid to 58.8, missing the 59.0 consensus forecast
- IHS Markit's Services PMI gauge fell to 54 in March from 55.9 in February
- ADP's Private Payrolls survey expanded by 241,000 in March, well above the 185,000 consensus estimate and the fifth-straight month of more than 200,000 job gains. February's gain got revised up to 246,000 jobs
- March Non-Farm Payrolls edged up 103,000, well below the 185,000 consensus forecast (perhaps the early Easter had an impact, perhaps it's a giveback of February's robust report, perhaps it will be revised higher a month from now). That marked the fewest monthly job gains in six months. The unemployment rate remained 4.1%



- Weekly jobless claims printed 242,000, marking a three-month high



This Week:

- US markets look to open higher
- Most major European markets are higher on the day
- Asian markets closed higher, led by Hong Kong +1.3%
- Hungary held elections over the weekend, with the incumbent party expected to win reelection
- Mark Zuckerberg, CEO of Facebook, draws the spotlight in testimony before Congress on Tuesday and Wednesday to discuss privacy concerns (and give elected officials a chance to be on TV)
- China's President Xi makes a speech Tuesday at the Baaq Forum in China that some hope could include the reduction in barriers to doing business in China
- The Summit of the Americas will be held later this week, with a new NAFTA agreement not expected to be finalized quite yet
- The Federal Reserve releases minutes from its last meeting on Wednesday
 - The European Central Bank releases minutes on Thursday
- Earnings start to ramp up late this week:
 - Wednesday: Bed Bath & Beyond and Fastenal
 - Thursday: BlackRock, Bank of the Ozarks, Shaw Communications and Rite Aid
 - Friday: Citigroup, First Republic, Infosys, JP Morgan Chase, PNC and Wells Fargo
- Economic reports:
 - Tuesday: Producer Price Index and Wholesale Trade
 - Wednesday: Consumer Price Index
 - Thursday: Jobless Claims and US Import Prices
 - Friday: Michigan Confidence Numbers and the US JOLTs report

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

Farley Shiner, CFA®
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Adam Bergman, CFA®
Executive Director



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