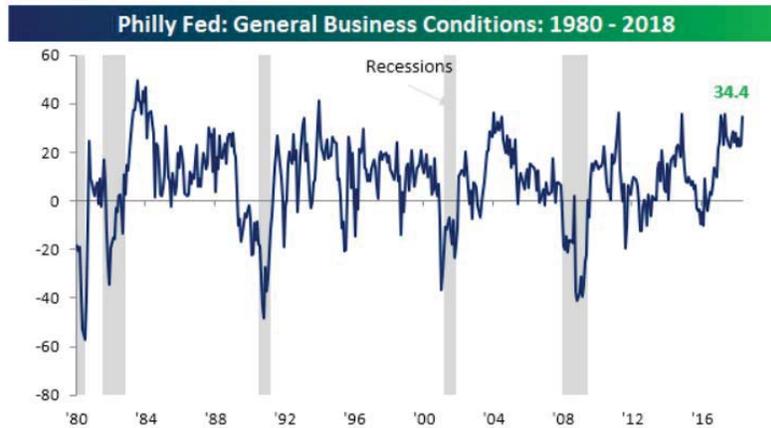




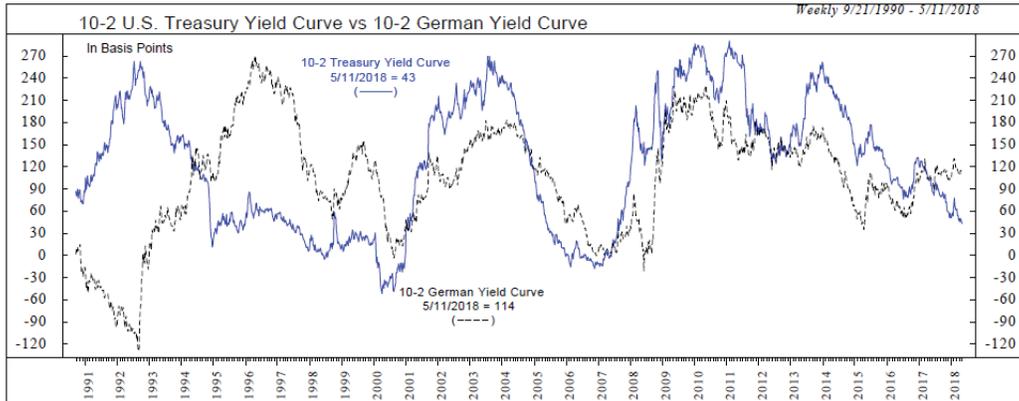
Last Week:

- The Dow was down modestly last week (0.4%)
 - Top Dow gainers were Nike +4.2%, United Health +2.7%, and Boeing +2.6%
 - Losers included Cisco (5.9%) and McDonald's (2.7%)
- Manufacturing data in the U.S. remains strong as evidenced by the Philly Fed Manufacturing report where the current win streak above 20 is unprecedented



Source: Bespoke

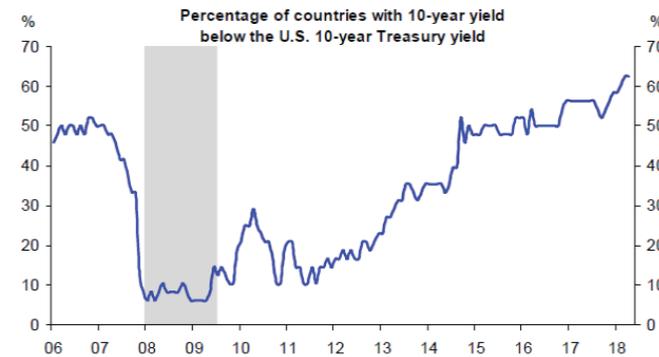
- Dow Transports were up 0.2%
- Dow Utilities were down (2.8%)
- The S&P 500 saw mixed sector performance
 - Sector leaders were Energy and Materials
 - Losers were Real Estate and Utilities
- Smaller-cap issues gained, with the S&P Smallcap 600 up +1.6%
- The S&P Midcap 400 rose +0.3% last week
- NASDAQ kept a was down slightly (0.6%) for the week
- EMEA stock markets were all in the green
 - Euro Stoxx 50 was up 0.2%
 - FTSE 100 was up 0.8%
 - DAX was up 0.6%
 - CAC was up as well at 1.4%
- AsiaPac stock markets were mostly up
 - Hang Seng was flat
 - Shenzen was up 0.8%
 - Nikkei was up 0.8%
- The yield curve in the U.S. continues to flatten while the key German yield curve has not followed



Source: Ned Davis Research

- As a result the number of countries with benchmark interest rates below the U.S. has hit a record

A record high number of countries in the world have 10-year yields below US 10-year interest rates

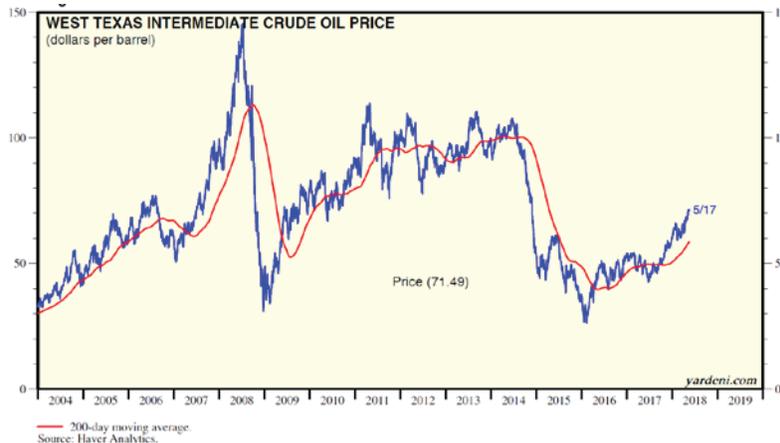


Group of 48 advanced and emerging countries: United Kingdom, Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Sweden, Canada, Japan, Greece, Ireland, Portugal, Spain, Turkey, Australia, New Zealand, South Africa, Brazil, Colombia, Mexico, Taiwan, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, China, Hungary, Poland, Czech Republic, Poland, Lithuania, Slovakia, Switzerland, Malta, Austria, Luxembourg, Bulgaria, Russia, Israel, Morocco, Tanzania and Zambia

Source: National sources, Reuters, TPI, Haver Analytics, DB Global Markets Research

Deutsche Bank Research Torsten Stolk, torsten.stolk@db.com +1 212 250-2155 May 2018 38

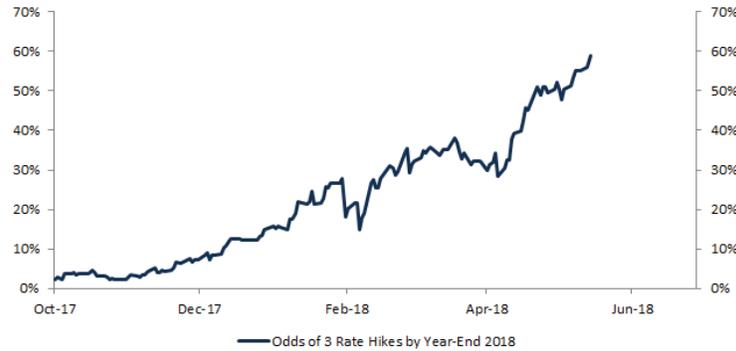
- Housing starts declined (3.7%) year-over-year
- Initial jobless claims were slightly above estimates at 222,000
- Oil was off essentially flat with WTI crude sitting at \$71.28 while Brent is at \$78.51



Source: Yardini



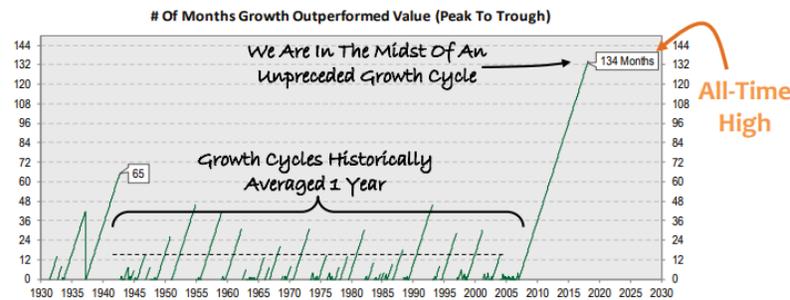
- Odds of three rate hikes in the U.S. continue to climb



Source: Evercore ISI

- Gold declined (2.3%) last week
- The dollar continues to depreciate against most major currencies. It currently stands at 0.85 versus the Euro
- Growth stocks have had their best run versus Value on record

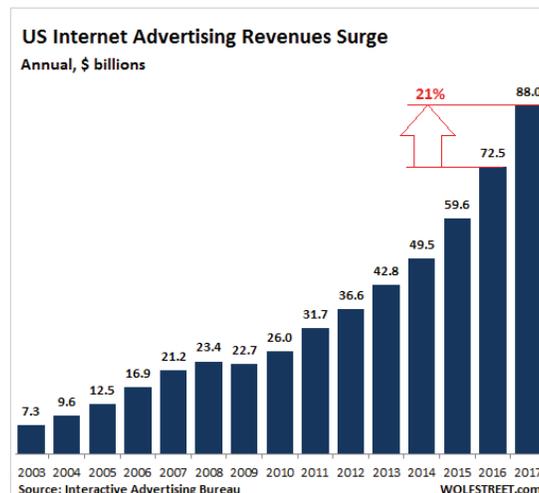
Investors Are Facing The Longest Period Of Value Underperformance On Record



Source: Cornerstone

- Despite negative news reports regarding Facebook and Google, online advertising continues to accelerate for these key players

Internet advertising revenues in the US soared 21.4% in 2017 from a year earlier to a record of \$88 billion, thus handily demolishing TV ad revenues, which declined 2.6% to \$70.1 billion, according to annual ad revenue report by the Interactive Advertising Bureau (IAB).





- Strategists are providing some perspective on the potential inflation risk noting that the current environment is not the 1970's where we had a sizable boost in the labor force that spurred demand forces



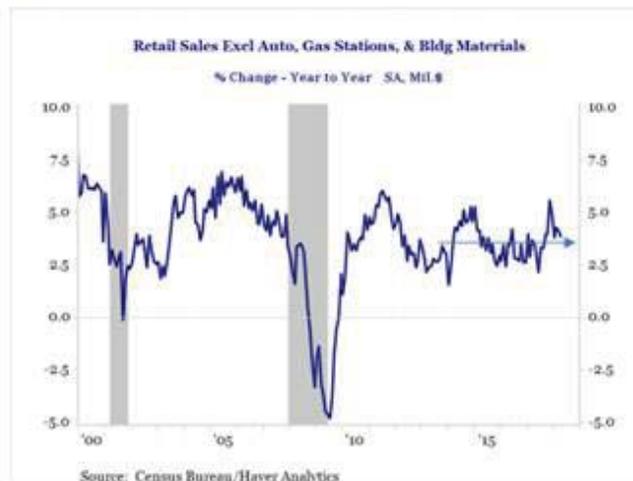
Source: Bloomberg, St. Louis Fed, Jefferies



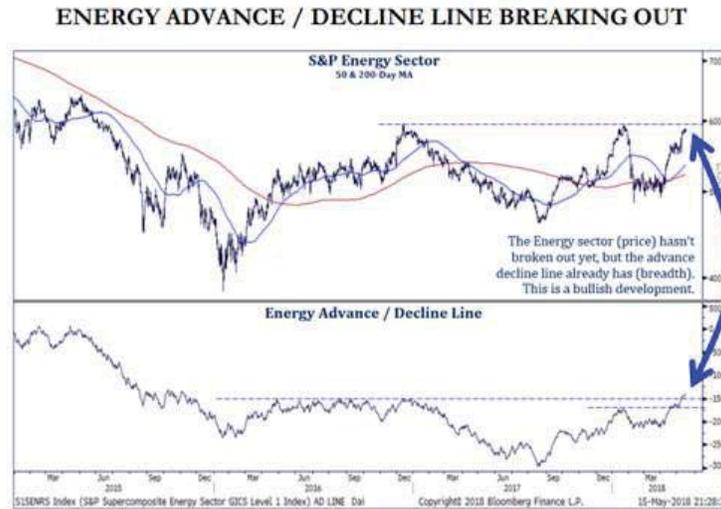
This Week:

- Major markets all higher in early trading, including the US, FTSE 100, CAC 40, DAX, Hang Seng, Nikkei, and Shanghai Composite indices
- Bloomberg reporting that Chinese trade tensions appear to be cooling off
- New GE CEO Flannery is putting his stamp on the company's revamp – announcing Monday a \$11.1 billion rail technology deal to acquire Wabtec
- Blackstone buying LaSalle Hotel Properties in a \$4.8 billion deal. This comes shortly after the announcement by the private equity giant to exit Hilton Worldwide Holdings, the most profitable private equity real estate deal ever
- Mattel is refinancing its balance sheet after spurning an unsolicited bid from closely-held competitor MGA
- Facing an aging population, China is said to consider ending birth limits as soon as this year
- Key companies reporting this week:
 - Tuesday: TJ Maxx, **Intuit**, Hewlett Packard Enterprise
 - Wednesday: **Lowe's**, Tiffany, Target
 - Thursday: **Medtronic**, **Hormel**, Best Buy
 - Friday: Foot Locker
- Economic reports:
 - Monday: Chicago Fed National Activity
 - Tuesday: Richmond Fed Manufacturing Index
 - Wednesday: New Home Sales, Fed Meeting Minutes
 - Thursday: House Price Purchase Index, Existing Home Sales
 - Friday: Durable Goods Orders, University of Michigan Sentiment
- Friday's Sentiment data expected to indicate continued strength in "workhorse" consumers

U.S. CONSUMER STILL WORKHORSE DESPITE OIL PRICES



- Our chartist friends at Strategas Research tell us that Energy may be flashing "buy" signals as the group perks up after a lull



Colin Ducharme, CFA®
Executive Director

Chip Wittmann, CFA®
Executive Director

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