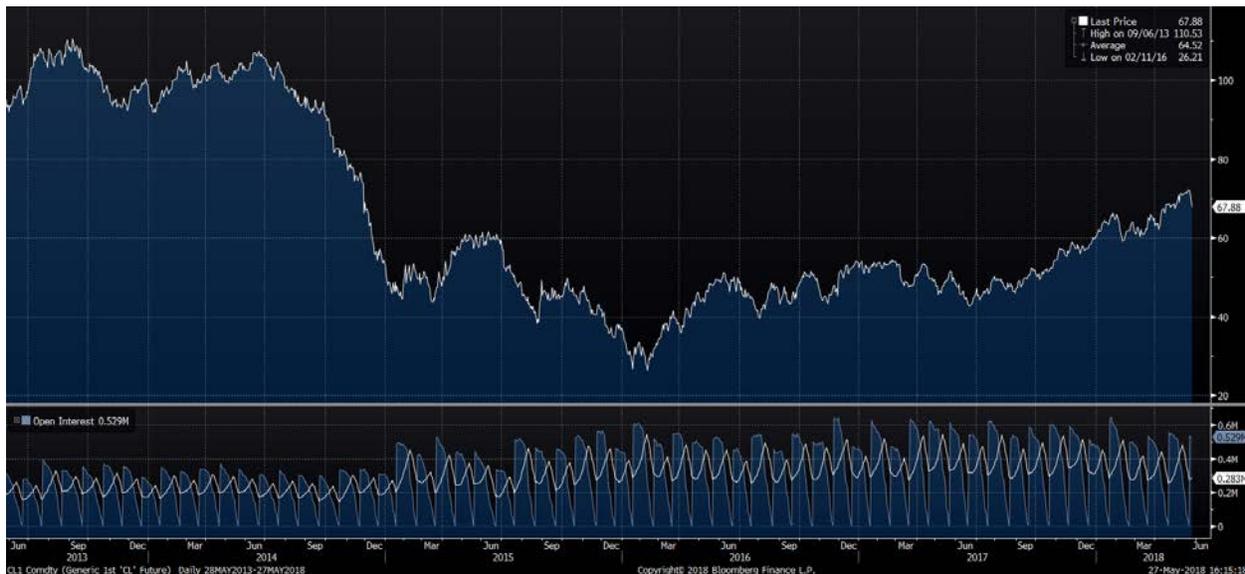




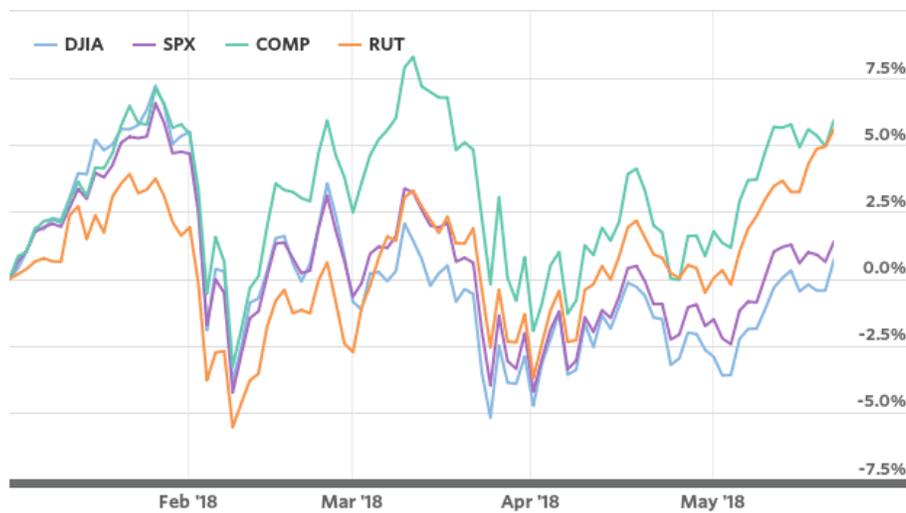
Last Week:

- The Dow Jones Industrial Average finished up 38 points, or +0.2% last week
 - Top gainers were Boeing +4.6%, **Microsoft** +2.3%, United Technologies +1.9%, Nike +1.9%, and Caterpillar +1.4%
 - Losers were paced by Chevron (5.6%), Exxon Mobil (3.9%), DowDuPont (3.6%), GE (2.7%), and Walmart (2.4%)
- Dow Transports were up +1.1%
- Dow Utilities shot up +3.3%
- The S&P 500 was up +0.3%
 - Sector leaders were Utilities and Real Estate
 - Laggards were Energy and Materials
- At \$153 billion, Netflix has surpassed both **Comcast** and Disney and is now the largest pure play media company in the world by market value
- Energy equities had their first down week in nine weeks and the worst week year-to-date
 - WTI crude sits at \$68 a barrel, down 5% last week. Brent is currently \$76
 - Saudi Arabia and Russian rhetoric regarding a boost to output are the likely culprits for the correction
 - Despite the pullback, WTI is still up 37% in the last 12 months. See below:



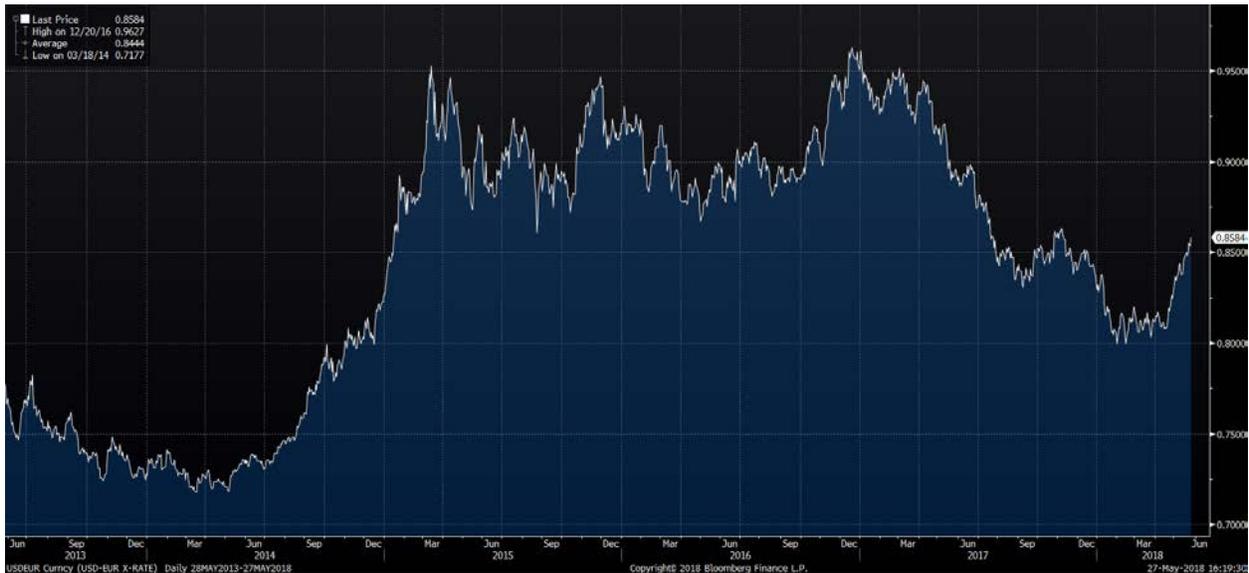
Source: Bloomberg

- Smaller-cap and mid-cap issues were marginally higher, with the S&P Smallcap 600 and Midcap 400 both up +0.2%
 - Smaller companies have outperformed in recent weeks, shown in the orange line below which represents the Russell 2000 index. That's been driven in part by the impact of a stronger U.S. dollar on larger multinational corporations



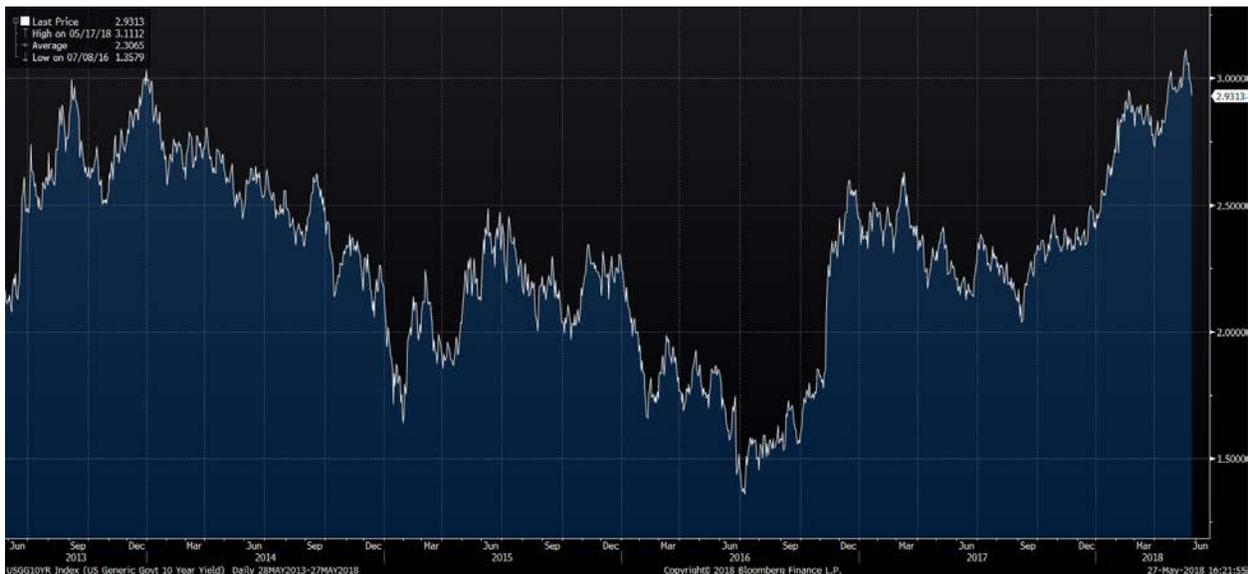
Source: Marketwatch

- NASDAQ was up +1.1% last week
- EMEA stock markets were down
 - Euro Stoxx 50 was down (1.6%)
 - London's FTSE 100 was down (0.6%)
 - France's CAC was down (1.3%)
 - Germany's DAX was down (1.4%)
- The EU's General Data Protection Regulation (GDPR) went into effect last Friday. GDPR outlines a new set of regulations for companies that share data online to protect users. Penalties for failure to adhere to the rules can result in fines up to 4% of global sales
 - Meanwhile, Facebook and **Alphabet** (Google) were hit with over \$8.8 billion in lawsuits accusing the companies of coercing users into sharing personal data
- AsiaPac stock markets were down too
 - Japan's Nikkei was down (2.1%)
 - Hong Kong's Hang Seng was down (1.1%)
 - China's Shenzhen was down (2.2%)
- Gold was up on the week, +0.7%
- The May 1-2, 2018 FOMC minutes were released and stopped short of declaring the Fed's 2% inflation objective has been reached. The statement released by the Fed:
 - "It was noted that it was premature to conclude that inflation would remain at levels around 2 percent, especially after several years in which inflation has persistently run below the Committee's 2 percent objective"
 - After the Fed published its minutes, revealing support for an interest rate hike in June, the dollar shot up against the Euro, at 0.86, the highest level of the year



Source: Bloomberg

- Philadelphia Fed President Patrick Harker said two to three more interest rate hikes this year appear appropriate, but he's not a voting member of the FOMC
- As noted below, the 10-year treasury yield fell back below 3.0%, ending the week at 2.93%, though still close to a five-year high



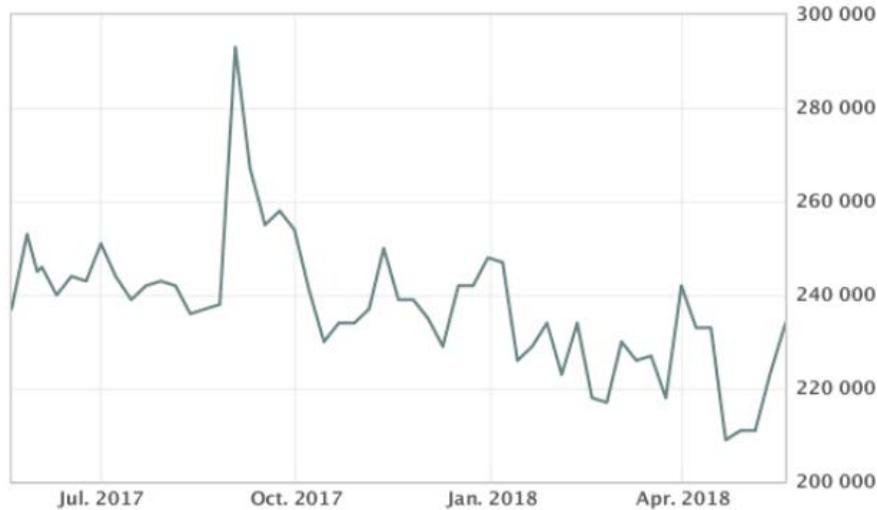
Source: Bloomberg

- U.S April Chicago Fed National Activity came in at 0.34 versus 0.30 expected
- The Richmond Fed Manufacturing index came in at 16 versus 10 expected
- IHS Markit's Manufacturing, Services and Composite PMIs were all above expectations



- New Home Sales of 662,000 was below the expectation for 680,000
- Jobless Claims of 234,000 were above the 220,000 expected, and marked a seven-week high

Initial jobless claims



Source: Labor Department via FRED

- In April, Existing Home Sales declined by (2.5%) from March levels, below (0.9%) expected
- In 1Q18 the House Price Purchase index grew +1.7% over 4Q17, above 0.7% expected
- Durable Goods Orders in April were down (1.7%) over March, relative to (1.3%) expected
- University of Michigan Sentiment registered 98.0 versus 98.8 expected
- Reuters reported Ant Financial Services Group, controlled by Alibaba founder Jack Ma, closed its latest round of funding for \$10 billion, valuing the company at roughly \$150 billion, the largest financial technology company and most valuable startup in the world
- **Intuit** reported a strong quarter last week
 - Per Bank of America analyst Kash Rangan: “Turbo Tax Live is a game changer... The solution allows for increased retention of TT users (3mn users leave TT online every yr for brick and mortar), attract brick and mortar customers who pay higher ASP to CPAs and acquire new tax filers (3-5mn each year)”
 - At roughly \$200, INTU’s total return is almost 90% over the last two years and 250% over the last five
- **Lowe’s** also showed a decent print coupled with major corporate news
 - Though weather impacted comps in Q1, May comps are up double-digits and management expects to recoup most of Q1’s weather-related sales in Q2 and Q3
 - Meanwhile, Lowe’s appointed former J.C. Penney chief, Marvin Ellison, the new CEO and President, while Bill Ackman’s activist firm Pershing Square reported a \$1 billion stake
 - The stock rallied over 10% the following day
- M&A headlines were relatively light

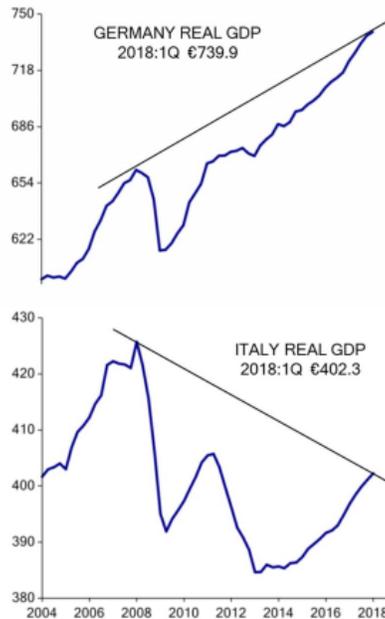


This Week:

- Major markets overseas were weaker in trading Monday following fears that a political crisis in Italy could cascade into an exit from the European Union. That negativity has continued Tuesday morning

At its root, Italy's political turmoil stems from its poor economic performance:

	Real GDP 2018:1Q	
	Relative to Prior Peak	Y/Y %
Italy	-5.5%	+1.4%
Germany	+11.9%	+2.3%
US	+16.0%	+2.9%



Italy real GDP is still -5.5% below its peak a decade ago.

Source: Evercore ISI

- The Stoxx Europe is down almost (-1.0%), while markets in Italy and Spain are each down more than (-2.0%)
- The Nikkei fell (-0.6%), while shares in Hong Kong fell (-1.0%)
- U.S. markets were down roughly (-0.5%) in early trading
- The United States has decided to delay sanctions with North Korea in hopes that a diplomatic dialogue between the two countries can be revived
- Oil prices slid further following news reports last week that Saudi Arabia and Russia may boost oil production in the second half of the year, as crude stockpiles have run down, political turmoil in Venezuela has continued, and Iran sanctions have been reinstated
- Key companies reporting this week:
 - Tuesday: salesforce.com, HP



- Wednesday: **Analog Devices**
- Thursday: **Dollar Tree**, PVH, Dollar General, Costco Wholesale, Ulta Beauty
- Economic reports:
 - Tuesday: Consumer Confidence (May) – 128.0, vs. 125.6 in April and consensus forecast 128.7
 - Wednesday: ADP Employment (May), GDP Growth (Q1)
 - Thursday: Initial Jobless Claims (Weekly), Personal Consumption Expenditure (April), Chicago PMI (May), Pending Home Sales (April)
 - Friday: Unemployment Rate (May), ISM Manufacturing (May)

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

Dan Morrall
Executive Director

Jeremy Lopez, CFA®
Director

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