

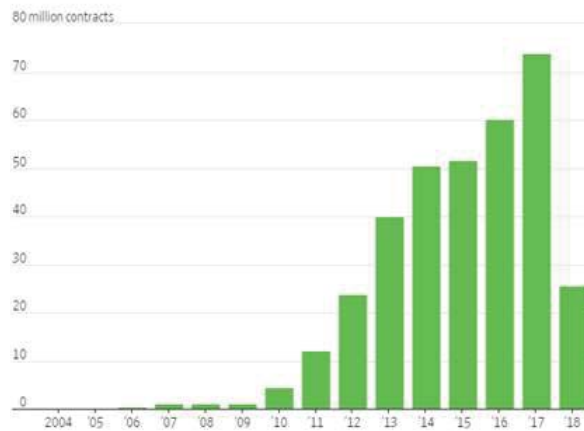


Last Week:

- The Dow Jones Industrial Average held on Friday to stay in positive territory +0.4%
 - For the week, advancers outpaced decliners 2-1
 - Top gainers were American Express +8.3%, General Electric +7.8%, **UnitedHealth** +4.8%, and a three way tie for fourth place with **Merck**, **Visa**, and Boeing each up 2.9%
 - Worst for the week were IBM -7.5%, Procter & Gamble -5.8%, Apple -5.2%, and **Johnson & Johnson** -3.0%
- Dow Transports advanced +2.0%, the third week in four that it has gained at least 2%
- Dow Utilities rebounded with a gain of +1.2%
- The S&P 500 edged higher by +0.5%
 - Energy was the top group for a second week +2.7%, joined by Industrials +2.2%, Consumer Discretionary +1.7% and Materials and Financials +1.5%
 - Three sectors finished under water for the week, with Consumer Staples (-4.0%) being the leader, together with Real Estate (-1.1%) and Technology (-0.2%)
- The S&P Smallcap and Midcap indices outpaced their larger cap index, each generating a gain of +0.9%
- NASDAQ lifted +0.6%
- The VIX Volatility Index was mostly lower during the week before reversing on Friday to finish with a small decline at 16.88. Trading of volatility-oriented futures has skyrocketed in recent years

Trading Surge

Annual VIX futures volume has boomed since the financial crisis.



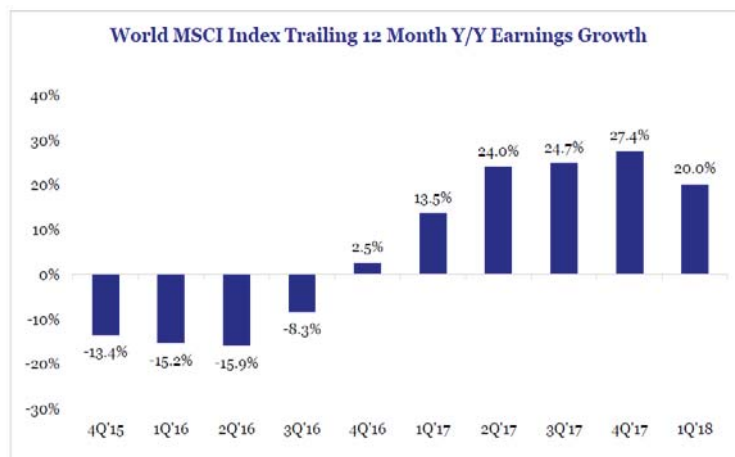
Note: Figure for 2018 is through April 18
Source: Cboe Global Markets

- The 10-year Treasury yield jumped 13 basis points (bps) for the week and finished at 2.96%
 - The 2-year yield broke out even more, reaching its highest level in nearly a decade, so the spread to the 10-year fell to only 39 bps
- Crude oil stayed higher with a gain of just under a buck to close at \$68.06/barrel
 - Oil prices shot up 3% Wednesday, after two Chevron executives were arrested in Venezuela, and industry stockpile reports showed significant drawdowns for the week. According to



Marketwatch, “Major oil producers may be targeting much higher oil prices. In briefings in recent weeks, senior Saudi officials have conveyed their desire to see crude prices around \$80 or even \$100 a barrel, in part due to the Kingdom’s planned IPO of Saudi Aramco”

- Gold pulled back \$10/ounce to \$1,338
- The US Dollar Index rose slightly to finish at 90.26
- Global stocks were mixed despite earnings growth that is quite strong
 - The Euro Stoxx 600 was up +0.7% while most European markets were higher
 - Paris had the biggest gains of the three major markets +1.8% while London picked up +1.4% and Frankfurt was in line at +0.8%
 - Moscow recovered part of the prior week’s losses +3.7% while Greece had one of the best weeks +4.2%
 - AsiaPac stock markets were more to the downside
 - Tokyo saw prices move ahead +1.8% and Bombay advanced +0.7%
 - China’s markets were under pressure, with Shenzhen declining (-4.5%) while Shanghai pulled back (-2.8%) ... Hong Kong also finished in negative numbers (-1.3%)

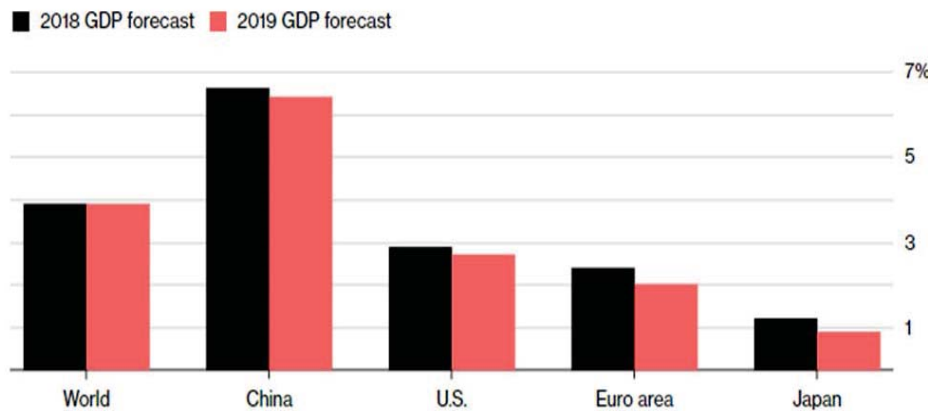


Source: Strategas

- The Supreme Court will decide whether to reverse a quarter-century-old precedent by which billions of dollars of goods sold each year by independent merchants on Amazon and other online marketplaces would be subject to state sales taxes for the first time. While Amazon collects sales taxes on its own products, it doesn’t on those sold by others through its platform. Justices are set to hear arguments Tuesday in the case, South Dakota v. Wayfair, and a decision is expected by the end of June. The current tax rules—from the era of mail-order catalogs—helped fuel the rise of internet commerce and spurred frustration among brick-and-mortar retailers. Tax and legal experts expect the court to overturn the precedent, freeing states to collect levies on future transactions across state borders. It isn’t clear what new standard might take its place or what rules states might impose

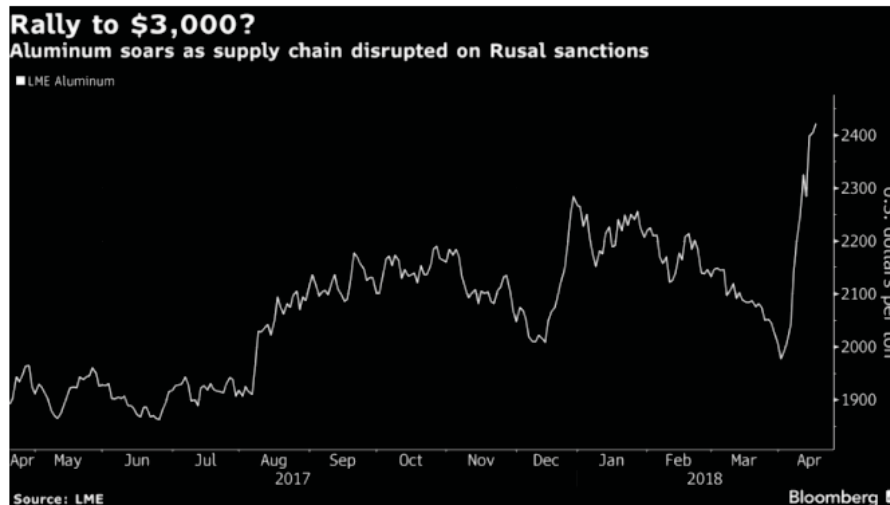
- The IRS recognized the unexpected wave of online filings by extending the due date for income tax returns by a day after the e-file servers ran into serious problems on 4/17
- Largely driven by the favorable impact of tax reform, the International Monetary Fund raised its growth estimate for U.S. GDP to 2.9% in 2018 and 2.7% in 2019, both representing an increase of 20 basis points from its previous forecast. That’s somewhat stronger than Europe and Japan, but below what the IMF expects from the world

The IMF predicts the strong economic upswing will continue for the next two years



Source: International Monetary Fund

- Like steel, aluminum has experienced a sharp rally, reflecting recent sanctions placed on Russia’s swing producer of the metal

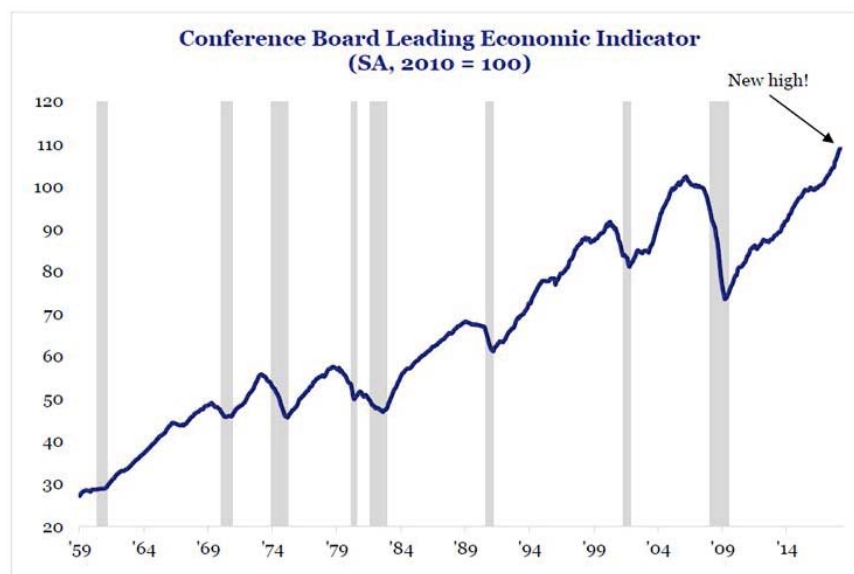


- The Federal Reserve’s Beige Book report said the economic outlook remains “positive, but contacts in various sectors, including manufacturing, agriculture, and transportation, expressed concern about the newly imposed and/or proposed tariffs.” Somewhat ironically, one



company cited in the Boston Fed's survey said that tariffs on Chinese aluminum "are killing high-paying American manufacturing jobs and businesses."

- President Trump nominated Richard Clarida to serve as Federal Reserve Vice Chair
- While political winds continued to blow erratically with names like Mueller, Comey, Flynn, Cohen, Sessions and Rosenstein, most were surprised when the Democratic National Committee sued the Trump Campaign, Wikileaks and the Russian Government over the 2016 election
- The Philadelphia Fed Manufacturing Index ticked up to 23.2 in April, above the 20.1 consensus forecast
- The Index of Leading Indicators rose 0.3% in March ... If they're leading indicators, why are we only learning about them midway through the following month???



Source: Strategas

- Weekly jobless claims dipped by 1,000 to 232,000
- March Housing Starts checked in at 1.32 million annualized units, topping the 1.255 million consensus forecast, and February's data got revised up. Permits for new home sales were 1.35 million annualized
- In corporate news:
 - Two agencies of the federal government are fining **Wells Fargo** a combined \$1 billion for various lending violations
 - Transunion announced it is acquiring CallCredit for \$1.4 billion
 - Japan's Takeda Pharmaceuticals confirmed it has made a bid of 46.50 British Pounds per share for **Shire**. For its part, Shire said it has rejected three separate Takeda offers, each at successively higher prices. CNBC reported other pharmaceutical companies have entered the bidding fray for Shire. Later in the week Takeda sweetened the offer to 47 Pounds with a higher percentage of cash
 - Mattel is moving on to its fourth CEO in as many years, looking for a turnaround



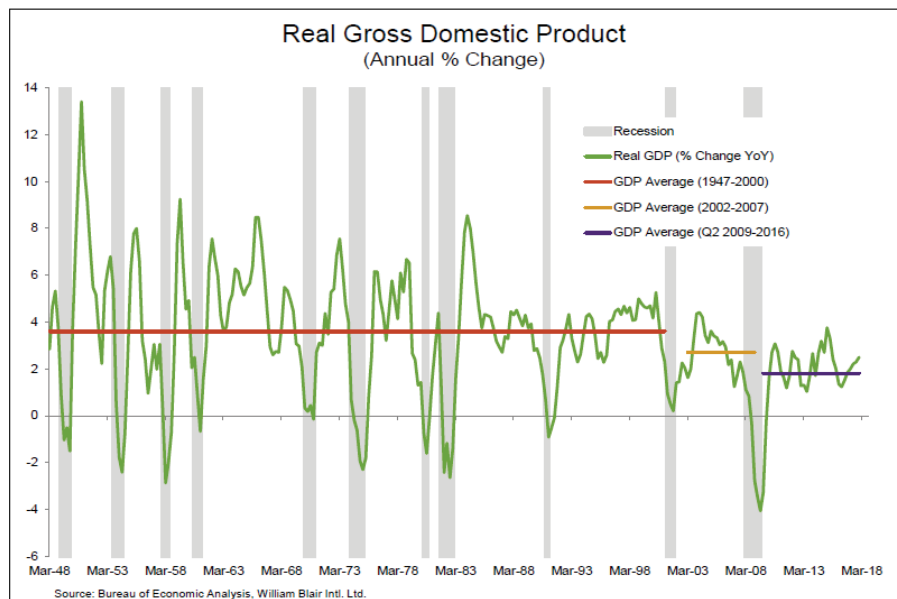
This Week:

- US markets look to open slightly higher
 - It's been a busy morning of takeover offers
 - Subsea 7 has bid to purchase McDermott, provided McDermott drops its bid for Chicago Bridge & Iron
 - Fresenius abandoned its acquisition of Akorn
 - CenterPoint Energy announced it is buying Vectren for \$72/share
 - Henry Schein said it will spin off its animal health business
- Most major European markets are near flat for the day
- Asian markets closed down fractionally
- The European Central Bank (ECB) announces its decision on rates Thursday
- The Bank of Japan announces its policy decision Friday early morning
- A special election for a House seat is held in Arizona Tuesday
- President Trump is expected to make a speech focused on drug prices Thursday, but the content remains uncertain
- North Korea and South Korea begin a summit meeting on Friday
 - Over the weekend, North Korea pledged to suspend any further nuclear tests and close the test site, at least until a meeting with the US, possibly in May
- Chancellor Merkel of Germany and President Trump are expected to meet in Washington beginning on Friday
- Earnings keep rolling this week:
 - Monday: **Alaska Air**, **Alphabet (Google)**, American Campus Communities, Ameriprise Financial, Avangrid, Barrick Gold, Cadence, CoStar, FirstEnergy, **Halliburton**, Hasbro, Kimberly Clark, Koninklijke Phillips, TD Ameritrade, Whirlpool and Zions Bank
 - Tuesday: 3M, America Movil, Biogen, Boston Properties, Capital One, Caterpillar, **Centene**, **Chubb**, Coca-Cola, Corning, Edwards Lifesciences, Eli Lilly, Equity Residential, Fifth Third, Freeport McMoran, Huntington Bancshares, Illumina, Lockheed Martin, **Markel**, Masco, New Oriental Education, NextEra, Paccar, Packaging Corp of America, Pulte, Restaurant Brands, **Robert Half**, SAP, Sherwin Williams, Teck Resources, Texas Instruments, Travelers, Total System Services, United Technologies, **Verizon** and Waters
 - Wednesday: Advanced Micro Devices, Aflac, Amphenol, **Anthem**, **AT&T**, AvalonBay Communities, BioMarin, Boeing, Boston Scientific, Cenovus Energy, **Check Point Software**, Chipotle, Cincinnati Financial, Citrix, **Comcast**, Core Laboratories, Credit Suisse, Dr Pepper Snapple, DTE Energy, eBay, Entergy, **Everest Re**, F5 Networks, Facebook, **Ford**, General Dynamics, GlaxoSmithKline, Goldcorp, Hess, Ingersoll Rand, Lab Corp, **Nasdaq**, Norfolk Southern, Northrop Grumman, **O'Reilly Automotive**, PayPal, Public Storage, **Qualcomm**, Raymond James, Rockwell, Rollins, SEI Investments, ServiceNow, Sirius XM, AO Smith,



STMicroeletronics, T Rowe Price, TE Connectivity, **Thermo Fisher Scientific**, Twitter, UDR, **Universal Health Services**, Varian Medical, Viacom, Wipro, Xilinx and Yandex

- Thursday: **Abbvie**, Air Products, Alexion, Allegion, Ally Financial, Altria, Amazon, American Airlines, American Electric Power, Amgen, Baxter, BorgWarner, **Bristol-Myers Squibb**, CME Group, CMS Energy, ConocoPhillips, DR Horton, Digital Realty Trust, **Discover Financial**, Domino's, Eastman Chemical, EQT, Expedia, Fiat Chrysler, Fortive, Franklin Resources, **General Motors**, Hartford Financial, Hershey, Hilton, Illinois Tool Works, Intel, International Paper, **Invesco**, KLA-Tencor, Lear, LKQ, **Marsh & McLennan**, **Maxim**, MGM, **Microsoft**, Mohawk, National Oilwell Varco, Newmont Mining, **Nielsen**, Nokia, Nomura, Old Dominion Freight, Parker-Hannifin, **Pepsico**, Praxair, Principal Financial, Raytheon, ResMed, Royal Dutch Petroleum, **S&P Global**, **Shire**, Southwest Airlines, **Starbucks**, **Stryker**, **Time Warner**, Union Pacific, **UPS**, Valero, VeriSign, Western Digital, Xcel Energy and Zimmer Biomet
- Friday: Autoliv, Cabot Oil & Gas, Charter Communications, Chevron, Colgate-Palmolive, Dominion Energy, Dover, Exxon Mobil, Honda Motor, Imperial Oil, LyondellBasell, Moody's, Phillips 66, Rockwell Collins, Sanofi, Simon Property, TransCanada, Ventas, Westrock and Weyerhaeuser
- Economic reports:
 - Monday: Markit Flash PMIs and Existing Home Sales
 - Tuesday: Case-Shiller Home Prices, New Home Sales and Consumer Confidence
 - Thursday: Jobless Claims, Wholesale Inventories and Durable Goods
 - Friday: Inflation (Employment Cost Index), GDP and University of Michigan Confidence numbers



Source: William Blair



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

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