



Index	Return		
	Close	Week	YTD
Dow Jones Industrial Average	25,849	1.6%	10.8%
S&P 500 Index	2,822	2.9%	12.6%
NASDAQ	7,689	3.8%	15.9%
Russell 2000 Index	1,553	2.0%	15.1%
MSCI EAFE Index	1,875	1.9%	9.0%
10-yr Treasury Yield	2.59%	-0.04%	-0.10%
Oil (\$/bbl)	\$58.39	4.1%	28.6%
Bonds*	\$107.70	0.3%	1.6%

Source: Bloomberg, 03/17/19

\*Bonds represented by the iShares U.S. Aggregate Bond ETF

## Last Week:

### U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) rallied 2.9% as few signs of accelerating inflation provided a favorable backdrop for central banks to continue their accommodative stance, and the Chinese government made renewed pledges to support its economy as it slows. Expectations for a meeting between President Trump and China's President Xi were extended to April or beyond, and the UK voted to extend the Brexit deadline again
  - Information technology (+4.9%) outperformed with strength in hardware including Apple (+7.6%), while semiconductors were helped by Nvidia's acquisition of Mellanox and a strong report from Broadcom
  - Healthcare (+3.2%) outperformed with strength in managed care and biotech
  - Energy (+3.2%) outperformed with the price of oil rising 4.1%
  - Financials (+3.0%) performed in-line with strength from investment banks, asset managers, and online brokers
  - Consumer discretionary (+2.6%) underperformed with retailers, homebuilders, and select auto names weaker
  - Communication services (+2.3%) underperformed as media was weak with AT&T announcing DirecTV would drop channels from **Discovery** and others, partially offset by strength from internet and social-media names
  - Consumer staples (+2.2%) underperformed with weakness from a handful of grocers and beverage companies
  - REITs (+2.2%) and utilities (+1.8%) underperformed as investors favored less defensive sectors
    - *Barron's* observes that Utilities have generated an eye-popping 20% total return over the last 12 months vs. just 4% for the S&P 500 and 5% for the Technology sector ETF.
  - Materials (+1.7%) underperformed



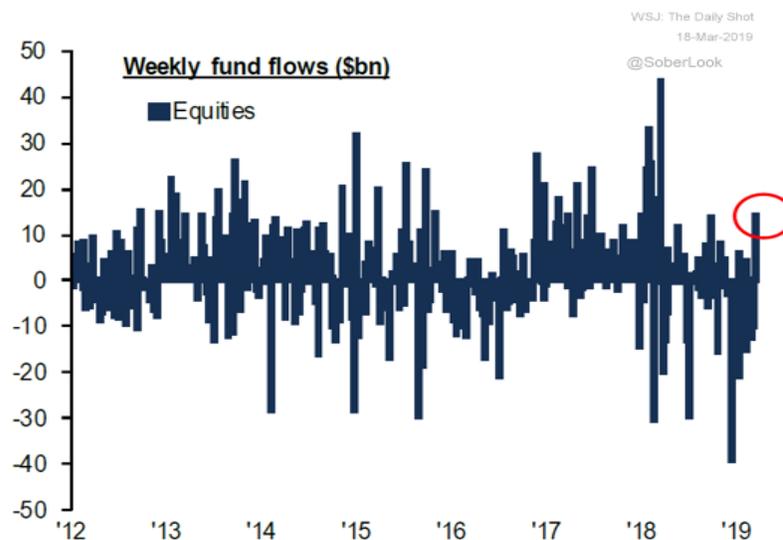
- Industrials (+0.3%) underperformed led by the aerospace/defense group, with Boeing (-10.3%) falling after the crash of a 737 MAX 8 aircraft in Ethiopia
- The Dow Jones Industrials Average underperformed the S&P 500 Index because of Boeing's outsized contribution
- Small-cap equities underperformed U.S. large caps, but the Russell 2000 Index remains 3.3% ahead of the S&P 500 Index for 2019 after a robust start to the year
- The technology-heavy Nasdaq Composite Index (+3.8%) outperformed the S&P 500
- As stocks reached their highest levels since October, 10-year Treasury yields fell to their lowest level since January 2018 and mortgage rates are at their lowest level in the last year

Figure 6: Bankrate US Home 30Y Fixed Mortgage Rate



Source: DB Research, Bloomberg Financial LP

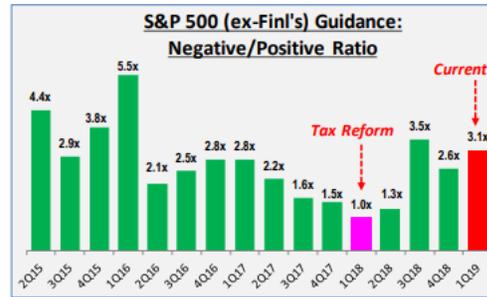
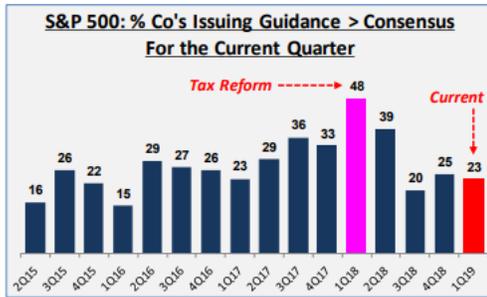
- According to the *Wall Street Journal*, equity fund inflows were the highest since March 2018



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global



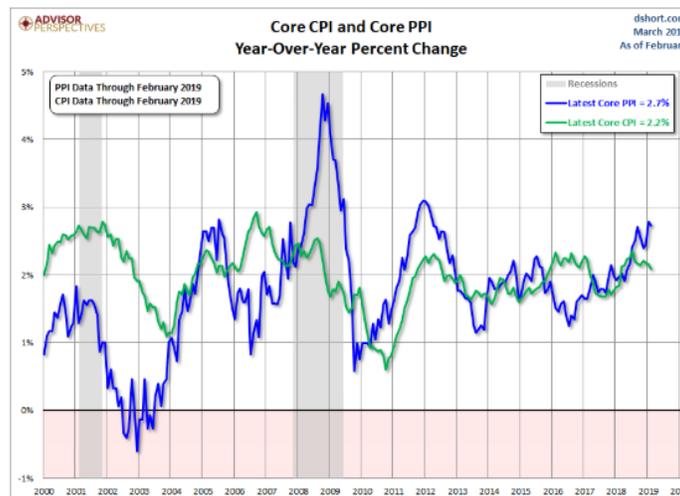
- The current quarter's earnings guidance has been a bit less sanguine than in recent quarters



Source: Wolfe Research

### U.S. Economic and Political News

- Economic data was mixed
  - Housing Starts jumped 19% in January to 1.23 million annualized units, a bit better than the 1.21 million consensus forecast. Permits for new homes rose 1.4%. December data got revised slightly later
  - The Empire State Manufacturing Index fell to 3.7, missing the consensus forecast of 10
  - Industrial Production likewise missed consensus, coming in at +0.1%, well shy of the expected +0.4%
  - Weekly Jobless Claims ticked up to 229,000
  - Durable Goods Orders rose 0.4% on a headline basis (topping consensus forecasts), though the "core" (ex-Transportation) figure of -0.1% missed expectations
  - January Retail sales increased 0.2%, better than the flat consensus estimate
  - The Producer Price Index showed a 0.1% sequential gain in February, resulting in a 1.9% year-over-year rate of inflation. Core PPI (which excludes volatile food and energy components) shows a 2.7% year-over-year rate of increase
  - The Consumer Price Index rose 0.2% in February and 1.5% year-over-year. Core CPI edged up 0.1% and 2.1% over the same respective time periods



Source: Dshort.com



- The University of Michigan's Consumer Sentiment index rose to 97.8 in its preliminary March reading, from 93.8 in February

### University of Michigan consumer sentiment

Index 1966:Q1=100, not seasonally adjusted



Source: University of Michigan via FRED

- Federal Reserve Chair Jay Powell said in a *60 Minutes* interview that the Fed is in no hurry to change rates especially given slowing global growth (particularly in China and Europe)
  - The Fed is expected to leave interest rates unchanged and provide an update on the normalization of the balance sheet after its Wednesday meeting Wednesday (03/20)
- New York Senator Kirsten Gillibrand announced she's entering the Democratic race for the presidency, while former Vice President Joe Biden hinted that he's planning to join the increasingly crowded field as well. At some point, it will become easier to list who *isn't* running for the Democratic nomination

### International Markets and News

- European equities (STOXX Europe 600) rose 2.8% as sentiment benefitted from optimistic US-China trade talks, Chinese announcement of renewed economic stimulus, and additional details on the European Central Bank's (ECB) plan for new bank loans. Brexit negotiations were delayed and US-EU trade talks reached a stalemate
  - Technology (+4.3%), financial services (+4.2%), banks (+3.9%), telecom (+3.8%), and insurance (+3.8%) outperformed. Utilities (+1.2%), food & beverage (+1.3%), retail (+1.8%), basic resources (+2.0%), and health care (+2.2%) underperformed
  - The UK will delay Brexit for at least three months to June 30<sup>th</sup> after Parliament rejected UK Prime Minister May's Brexit deal for a third time. Brexit developments remain highly uncertain, but this week's parliamentary votes reduced the risk of a no-deal Brexit and was arguably another supportive factor for regional markets.



- US-EU trade talks reached a stalemate after President Trump warned the EU of consequences that will be economically severe if Brussels fails to enter trade talks, which put some pressure on European auto stocks
- Chinese markets (Shanghai Composite Index) rose 1.7% for the week as a top official provided assurances to support the slowing economy, and expectations for a trade discussion meeting with President Trump and China's President Xi were extended to April or beyond
  - Most of the gains came Friday, when Chinese Premier Li Keqiang said that Beijing was considering cutting interest rates and banks' reserve requirements to bolster economic growth as well as help the real economy, particularly small and private businesses, to bolster employment and prevent large layoffs
  - Li's comments came a day after industrial output data rose a less-than-expected 5.3% in January and February over a year earlier, its slowest pace since 2002
  - The unemployment rate rose to a two-year high of 5.3% in February as the US-China trade dispute led export-dependent companies to cut jobs
- Japanese equities rose 2% (Nikkei 225 Index) during the week as Japanese GDP was revised higher and the Bank of Japan made no changes to its accommodative policies
  - Japan's third-fiscal-quarter GDP (ending December 31, 2018) was revised to an annualized pace of 1.9% from the preliminary estimate of 1.4% as lower government spending was offset by stronger business investment, and incomes were generally flat
  - The Bank of Japan concluded its two-day meeting Friday, and left its ultra-low interest rate policies unchanged (target for short-term at -0.1% and 10-year at 0%). The central bank also downgraded its economic assessment as slowing growth in China, the US-China trade dispute, and a disruptive Brexit could all still take a bigger toll on Japan's export-dependent economy

### **Commodities**

- The price of gold rose 0.3%
- The price of crude oil rose 4.1%, and remains up more than 28% in 2019 after collapsing in the 2<sup>nd</sup> half of 2018



**This Week:**

- Fourth quarter earnings reports will be relatively quiet this week, but several U.S. companies will be reporting, including but not limited to: Lumber Liquidators, DSW, HD Supply, Michael's, **FedEx**, General Mills, Guess, Micron, Williams-Sonoma, Actuant, Conagra, Darden Restaurants, Nike, Hibbett, Tiffany
- **Fidelity National Information Services** announced it is acquiring WorldPay in a combination of cash and stock
- The domestic economic calendar will be focused on the Federal Reserve meeting minutes on Wednesday as the Fed is expected to leave interest rates unchanged and provide an update on the normalization of the balance sheet. PMIs will be reported at the end of the week
- U.S. economic data:
  - Monday: NAHB Housing Market Index (Mar)
  - Tuesday: Factory Orders / Inventories / Shipments (Jan)
  - Wednesday: FOMC Meeting, Fed Funds rate
  - Thursday: Current Account (Q4), Philly Fed Index (Mar), Leading Index (Feb)
  - Friday: Markit Composite PMI (Flash Mar), Existing Home Sales (Feb), Wholesale Inventories (Jan), Monthly Budget Statement (Feb), Fed speaker Bostic

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®  
Executive Director

Adam Bergman, CFA®  
Executive Director



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