

April 1, 2019

Solid Gains for Week, Month and Quarter

March 25-29, 2019 Recap

- **Best Quarter in a Decade.** U.S. stocks rallied last week, extending impressive gains for the first quarter, sending the benchmark S&P 500 Index to its best three-month start to a year since 1998, up 13.65%. The Dow Industrials gained over 200 points on Friday, boosted by favorable trade talk reports out of Beijing. U.S. trade officials said China had made proposals on a host of difficult issues, including its practice of forced technology transfer.
- **Weekly Performance.** For the week, the S&P 500 gained 1.23%, the Dow Industrials advanced 1.67% and the tech-heavy Nasdaq Composite rose 1.15%. All three indices posted their strongest quarterly gains since the third quarter 2009. Week-over-week, the S&P 500 narrowed the gap from its September 2018 all-time high to 2.3% from 3.4%.
- **Key Economic Data.** New home sales rose 4.9% last month, rebounding to its strongest pace in nearly a year, led by the Midwest region. Moreover, January's originally reported a 6.9% sales decline was upwardly revised to an 8.2% gain. The median new home sales price fell 3.6% to \$315,300.
- **Industrials Performed Best.** Nine of the 11 major sectors posted weekly gains, led by Industrials (+2.88%), Materials (+2.11%) and Consumer Discretionary (+1.85%). Energy (+0.95) rose the least, while Utilities (-0.48%) and Communication Services (-0.48%) lagged.
- **Treasury Yields Weaken.** Treasuries rallied again last week, sending the yield on 10-year notes down a net 3.5 basis points to end at 2.406%, a 15-month low. The U.S. Dollar Index strengthened by 0.65% last week, while West Texas crude oil rose by 1.86% to \$60.14/barrel, its second \$60 closing high this year.

What We're Reading

[China Trade Deal Update](#)

[Brexit Deal Fails, Again](#)

[Mortgage Rates Drop](#)

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Week's Economic Calendar

Monday, April 1: Retail Sales, Markit & ISM Manufacturing Activity, Construction Spending, Business Inventories;

Tuesday, April 2: Durable & Capital Goods Orders, Vehicle Sales;

Wednesday, April 3: Mortgage Applications, ADP Private Sector Jobs, Markit & ISM Services Activity;

Thursday, April 4: Jobless Claims, Challenger Job Cuts;

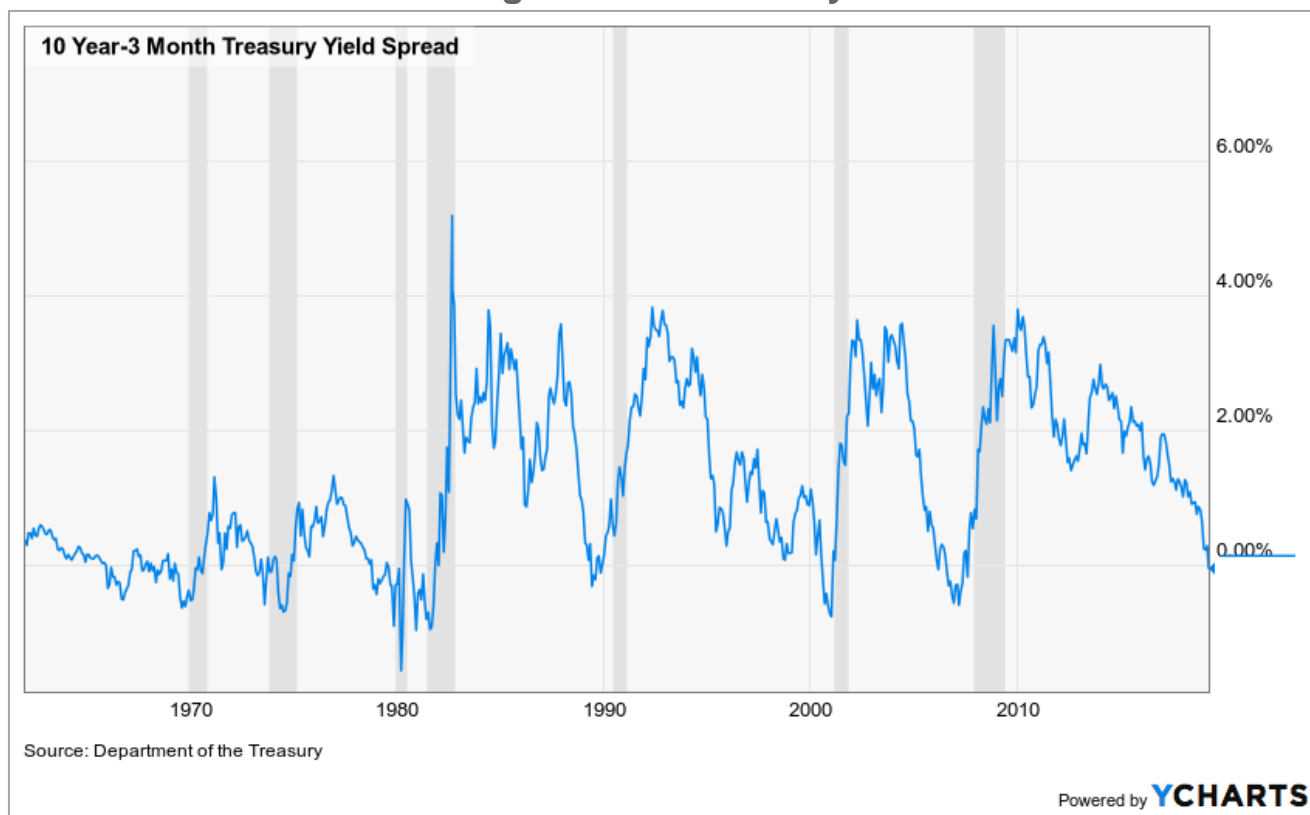
Friday, April 5: Nonfarm Payrolls, Unemployment Rate, Consumer Credit, Consumer Credit.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	1.67	0.05	12.43	11.15	7.58	13.72
S&P 500	1.23	1.94	14.63	13.65	9.50	13.61
NASDAQ Composite	1.15	2.70	17.72	16.81	10.64	18.17
Russell 3000	1.35	1.46	15.04	14.04	8.77	13.61
MSCI EAFE	-0.10	0.63	10.46	9.98	-3.55	7.77
MSCI Emerging Markets	-0.07	0.84	10.27	9.91	-7.29	11.68
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Barclays Agg Bond	0.33	1.92	3.20	2.94	4.48	2.10
Barclays Municipal	0.41	1.58	2.93	2.90	5.39	2.79
Barclays US Corp High Yield	0.35	0.94	7.43	7.26	5.94	8.84
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	-0.77	-0.18	5.14	6.32	-5.26	2.02
S&P GSCI Crude Oil	1.86	5.10	32.67	32.44	-7.40	16.26
S&P GSCI Gold	-1.53	-1.34	1.21	1.34	-2.17	1.62

Source: Morningstar

Chart of the Week: Revisiting Inverted Treasury Yields



The 10-year/3-month yield curve inverted for the first time since 2007. Historically, an inverted yield curve has been a reliable recession indicator, with an inversion between short-term and intermediate-term bonds preceding the previous 7 recessions. Keep in mind that the lead time has varied from 10 to 23 months ahead of a recession and equity returns have returned a positive return, on average, between the initial inversion of the yield curve and

the start of a recession. At this time, the risk of a recession in the near-term is low in our view, but the trend in economic data has weakened in recent months.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

*The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

*The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index*

*The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.*

*The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.*

*The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.*

*The **Bloomberg Barclays US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly*

*The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.*

*The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly*

The **MSCI All-Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** captures large and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.