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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. equity markets closed higher last Friday as much better than expected Q1 GDP growth sent the S&P 500 and NASDAQ to new all-time highs.

a) **Dow Jones -0.06%, MTD +2.47%, YTD +14.57** b) **S&P 500 +1.20%, MTD +3.79%, YTD +18.00%**
c) **Russell 2000 +1.67%, MTD +3.40%, YTD +18.51%**

Drivers: I) **First quarter U.S. GDP** growth came in at a **solid 3.2%**, **well above** the Street **consensus estimate** of **2.3%. Net exports** were the **main driver,** though still deeply negative at minus $899.3 billion, contributed 1.03% to the quarter's calculation though trade data for March has yet to be released. Inventories rose sharply and added 0.65 point, although this may cause some concern due to less than robust strength in consumer demand.

II) **March's new home sales** easily **beat expectations** at a 692,000-annual rate. The monthly rate is the best since November 2017 and offers confirmation of the sector rebound, prompted by **lower mortgage rates** which began to drop sharply beginning at year end and extending to March. The 30-year conventional loans averaged 4.27% in the month, down dramatically from 4.64% in December.

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III) **Durable Goods Orders for March** jumped by a much **better-than-expected 2.7%**, which is positive for U.S. manufacturing. The gain is skewed higher by a very welcome 60% monthly **gain in commercial aircraft orders** and by a positive **2.1% rise in motor vehicle orders**. Excluding these orders as well as orders for all other transportation equipment, March orders rose a respectable 0.4%.

IV) **April Consumer Sentiment rose** by **0.2% to 97.2**, bolstered by an **improving and positive outlook** in **consumer expectations**. Expectations dipped noticeably at mid-month, but firmed back to an 87.4 reading that, however, is still down 1.4 points from March. In contrast, current conditions rose at mid-month, but then fell sizably to 112.3 and down 1 point from March.

V) **Equities in April are higher with Large-Cap, Growth, Financials and Information Technology leading equity price performance. The laggards for the month are Small-Cap, Value, Healthcare and REITs.**

Capitalization: **Large Caps +3.88%** (YTD +17.65%), Mid-Caps +3.45% (YTD +20.91%) and **Small Caps +3.07%** (YTD +19.69). **Style: Value +3.99%** (YTD +18.08%) and **Growth +4.54%** (YTD +18.45%). **Industry Groups (Leaders):** Tech +7.05% (YTD +28.85%), **Information Technology +6.45%** (YTD 27.35%), Industrials +3.70% (YTD +21.61%), Con. Discretionary +5.40% (YTD +21.50%), Communication Services +5.10% (YTD +18.59%), **Financials +7.85%** (YTD +16.89%), **REITs -0.33%** (YTD +16.81%), Energy +0.26% (YTD +16.74%), Con. Staples +1.50% (YTD +12.74%), Materials +2.91% (YTD +13.67%), Utilities -0.07% (YTD +10.54%), and **Healthcare -2.64%** (YTD +3.50).

EUROPEAN EQUITIES

The MSCI Europe index was lower last week by -0.49%, dropping on concerns over Italy's economic stability and soft business confidence data out of Germany.

Drivers: I) **Standard & Poor's Global Ratings** reported last week, it had **affirmed Italy's BBB credit rating**, two notches above junk, while holding a **negative outlook** on the country. The agency said it would consider lowering Italy's rating within 24 months if it did not improve its **debt to GDP ratio**, which stands at **132.2%** according to Eurostat. Italy has the second highest debt to GDP of the 28 EU Member nations after Greece.

II) The **EU Commission** report on **consumer confidence** unexpectedly **dropped in April**. At minus 7.9, the headline indicator was 0.7 points below its final level in March, its first decline in four months and equaling a 3-month low. While sentiment compares favorably against a long-term average of minus 11.3, the April report remains short of the levels seen over much of 2017 and 2018 and **warns** that **second quarter household spending might struggle.**

III) **Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index was lower by -0.49% for the week (MTD +2.96%, YTD +14.11%).**

ASIAN EQUITIES

Asian equity markets traded markedly lower last week as concerns rose over the possibility of a slowdown in economic stimulus from China. The Dow Jones Asia Index dropped by -0.69% for the week, (MTD +1.31%, YTD +8.48%).

Drivers: I) **March Industrial Production in Japan fell 0.9**% on the month (seasonally adjusted) after increasing 0.7% in February, weaker than the consensus forecast of a decline of 0.1%. Weaker industrial production reflected **declines in the output of motor vehicles**, production **machinery and fabricated metals**. This was somewhat offset by increases in the output of electrical machinery, electronic parts and devices. In year-on-year basis, the index dropped 4.6% in March after falling 1.1% previously.

II) **Retail sales in Japan increased 1.0% in March**, following the revised growth of 0.6% in February and above the consensus forecast of 0.8%. Seasonally-adjusted retail sales rose 0.2% on the month after advancing 0.4% previously. Stronger year-on-year sales growth in March was primarily driven by a **strong rebound in food and beverage sales**, up 1.6% on the year after falling 0.6% previously, and fuel sales, up 1.6% on the year after falling 1.2% previously.

III) **Performance of Asian Indexes for the week, month-to-date and year-to-date. The Nikkei was higher by +0.26% (MTD +4.75%, YTD +12.17%), the Hang Seng Index fell by -1.20% (MTD +2.26%, YTD +14.73%) and the Shanghai Composite slumped by -5.64% (MTD +0.19%, YTD +25.51%).**

FIXED INCOME

Treasury yields turned lower for the week as the Fed's preferred gauge of inflation, core PCE fell to 1.7% in the first-quarter, from 1.9% in the previous three-month period.

Performance: I) **The 10-year Treasury yield was lower last week ending at 2.500% down from 2.564%. The 30-year yield dropped last week from 2.961 to 2.923.**

II) **Performance for the week, month-to-date and year-to-date. The Bloomberg Barclays US Aggregate Bond Index rose +0.38% last week, MTD +0.03% and YTD +2.97%. The Bloomberg Barclays US MBS TR advanced by +0.29% last week, MTD -0.01% and YTD +2.15%. The Bloomberg Barclay's US Corporate HY Index was higher by +0.18%, MTD +1.28% and YTD +8.62%.**

COMMODITIES

The DJ Commodity Index was lower by -1.03% last week but is positive month to date +0.22% (YTD +7.76%). Commodities declined last week as oil fell on calls for lower prices from President Trump, and agricultural commodities dropped on the spread of the incurable pig disease throughout Southeast Asia which are negatively affecting demand for feed products.

Performance: I) The **price of oil** last week **was lower by -1.87%** down to $62.80 but has risen month to date in April by +4.35% (YTD +38.29%). Oil plunged in price last week as **President Trump called on OPEC** to help **lower the price of oil**, which followed a greater than expected increase in US inventories.

II) The **ICE USD Index**, a gauge of the U.S dollar's movement against six other major currencies, **rose by +0.67%** from 97.40 to 98.05 for the week (MTD +0.86%, YTD +1.95%). The USD finished strongly last week as **U.S. Q1 GDP** came in at a **stronger than expected 3.2%**, continuing to outpace the growth of other developed countries.

III) **Gold rose last week by +0.82%,** as the weak PCE report pushed back further any thoughts of U.S. interest rate hikes for the remainder of the year. **Gold rose by +0.82%** last week, climbing from $1277.9 to $1288.4 (MTD -0.66%, YTD +0.55%).

HEDGE FUNDS

Hedge fund returns in April are higher for the month with core strategies Equity Hedge, Event Driven, Macro, Relative Value and Multi-Strategy all in positive territory.

Performance:

I) The HFRX Global Hedge Fund Index is higher at +0.48% MTD and up +3.09% YTD.
II) Equity Hedge has advanced by +0.49% MTD and is up +6.48% YTD.
III) Event Driven has risen MTD +0.12% and is higher YTD +0.91%.
IV) Macro/CTA has climbed higher by +1.04% MTD and is up +0.17% YTD.
V) Relative Value Arbitrage is higher at +0.12% and is up by +2.74% YTD.
VI) Multi-Strategy is positive MTD at +0.10% and is higher by 2.47% YTD.

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Looking ahead to the **next week of trading**, **U.S. equity prices are** being **pushed higher** by **better than expected earnings** and positive economic data. Positive investor sentiment propelled the **S&P 500** to new heights, hitting an all **time high last Tuesday of 2,933**. Thus far, Q1 earnings season has seen 53% of S&P 500 companies beat on the top line, while 79% have exceeded earnings expectations. The blended EPS has declined thus far by -3.9% which is slightly better than the -4.3% projected last week. Earnings have been led by growth seen in the Healthcare and Utilities, while Energy, Materials and Information Technology are seeing double digit declines in earnings. **Companies beating estimates** are seeing their **stock prices rise** two days before and after the announcement by +**2.1%**, while those companies that **disappoint** are seeing an **average decline of -2.5%.**

In turning to **next week's economic calendar**, we have the **FOMC meetings**, as well as a panoply of new economic data including the release of the **Employment Cost Index (ECI)**, Case-Shiller home price index and U.S. Consumer Confidence on Tuesday. We begin with the all-important ECI, where pressure is expected for the index with the Street's first-quarter consensus coming in at a **0.7% rise**. The fourth-quarter rate was also 0.7%. **Year-on-year** the ECI is seen **slowed by 0.1% to 2.8%**.

Case-Shiller's 20-city adjusted index is expected to **rise** by a **muted 0.3** in February after a surprisingly weak 0.1% increase in January. Worsening price **weakness in California** has been pulling down the overall index where year-on-year growth in the last report of 3.6% was the **weakest in 6-1/2 years**. February's forecast for the year-on-year rate is for a further drop to 3.2%.

The **U.S. Consumer Confidence Index** fell unexpectedly in March along with the consumer's assessment of the labor market. A **small rebound** is expected for April where the consensus is **126.0 versus March's 124.1**.

Wednesday, investors will pay close attention to the **ISM Manufacturing Index** report. At a consensus 55.0, **steady strength** is the call for the ISM manufacturing index in April which came in at the very high end of expectations in March at 55.3. Also, on Wednesday we will be updated on the **Fed policy decision** and subsequent press conference held by Federal Reserve Chairman Jerome Powell.

Friday will see the release of the highly-anticipated **Nonfarm Payrolls** report, where **persistent strength** is expected for April, at a **consensus 180,000** versus March's solid 196,000 gain. The **unemployment rate** is seen holding steady at **3.8%** with **average hourly earnings** climbing back up from March's 0.1% to an increase of **0.3%.**

Data Source: Haver Economics