

| US Economy and Credit Markets |                |                                   |                   |
|-------------------------------|----------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                |                                   |                   |
| 3 Mo. T-Bill:                 | 0.29 (-03 bps) | GNMA (30 Yr) 6% Coupon:           | 112-03/32 (2.26%) |
| 6 Mo. T-Bill:                 | 0.43 (-07 bps) | Duration:                         | 3.85 years        |
| 1 Yr. T-Bill:                 | 0.60 (-09 bps) | Bond Buyer 40 Yield:              | 4.06 (-03 bps)    |
| 2 Yr. T-Note:                 | 0.84 (-12 bps) | Crude Oil Futures:                | 39.28 (+1.36)     |
| 3 Yr. T-Note:                 | 1.01 (-15 bps) | Gold Spot:                        | 1255.40 (+5.95)   |
| 5 Yr. T-Note:                 | 1.34 (-16 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 1.88 (-11 bps) | U.S. High Yield:                  | 8.40% (-22 bps)   |
| 30 Yr. T-Bond:                | 2.68 (-07 bps) | BB:                               | 5.68% (-20 bps)   |
|                               |                | B:                                | 8.32% (-15 bps)   |

Treasury prices rose over the course of the week as the Federal Reserve cut the number of projected interest rate increases this year. The latest “dot plot” from the Fed’s meeting this week indicated only two projected interest rate increases in 2016, compared to a projected four increases from the December 2015 meeting. Investors had already expected that four increases were unrealistic but the confirmation this early from the Fed was unexpected, causing Treasury yields to fall Wednesday and Thursday. However, Fed Chairwoman Janet Yellen said that longer-term inflation expectations were “well-anchored,” and they would allow it to move higher as they have the tools to deal with it later on. This caused longer-term yields that are more affected by inflation expectations to not fall as much as shorter-term yields. The Fed also cited risks of a weakening global economy, which could spill over domestically, but stressed that the U.S. economy is still improving. Treasury prices also rose as oil prices dropped early in the week and retail sales disappointed, causing more demand for the safety of U.S. government debt. However, oil would rebound later in the week and end up 4%. Major economic reports (and related consensus forecasts) for the upcoming holiday-shortened week include: Monday: February Fed Nat Activity Index (0.22), February Existing Home sales (5.32M); Tuesday: March Prelim. Market US Manufacturing PMI (51.7); Wednesday: March 18 MBA Mortgage Applications, February New Home Sales (510,000); Thursday: March 19 Initial Jobless Claims (268,000), February Prelim. Durable Goods Orders (-2.8%), March Prelim. Markit US Services PMI (51.2); Friday: 4<sup>th</sup> Quarter GDP Annualized (1.0% QoQ), 4<sup>th</sup> Quarter Personal Consumption (2.0% QoQ).

| US Equities               |                  |                          |                             |
|---------------------------|------------------|--------------------------|-----------------------------|
| Weekly Index Performance: |                  | Market Indicators:       |                             |
| DJIA:                     | 17602.3 (2.26%)  | Strong Sectors:          | Industrials, Info Tech,     |
| S&P 500:                  | 2049.58 (1.37%)  |                          | Energy                      |
| S&P Midcap:               | 1429.8 (1.64%)   | Weak Sectors:            | Health Care, Cons. Staples, |
| S&P Smallcap:             | 678.79 (1.50%)   |                          | Telecom                     |
| NASDAQ Comp:              | 4795.647 (1.02%) | NYSE Advance/Decline:    | 2,271 / 907                 |
| Russell 2000:             | 1101.673 (1.34%) | NYSE New Highs/New Lows: | 248 / 37                    |
|                           |                  | AAll Bulls/Bears:        | 30.0% / 26.9%               |

The S&P 500 finished in positive territory for the first time in 2016. The S&P 500 closed 2015 at 2043.94, hit 2016 lows of 1829.08 on February 11<sup>th</sup>, before closing this week at 2049.58. From its 2016 low through this past Friday, the S&P 500 has returned 12.34% including dividends. The index began the year by losing 10.27%. Year to date, the S&P 500 has returned .80%, trades at a P/E ratio of 18.55 and carries a dividend yield of 2.21%. West Texas Intermediate Crude Oil closed the week at a spot price of \$39.44 per barrel, gaining 2.44%. This represents a more than 50% increase from the February lows of \$26.21 per barrel. As a result, many energy and related names have advanced with oil. This week, **ExxonMobil** advanced 2.45% while **Apache** produced returns of 1.35%. On Thursday, **FedEx** investors had more to celebrate than just St. Patrick’s Day. The economic bell weather beat sales and earnings expectations by a wide margin. Sales were expected to come in at \$12.36 billion, while the company produced revenue of \$12.7 billion. The Street forecasted FedEx EPS of \$2.34, but the company generated \$2.51 EPS. Shares in FedEx rose 11.83% on St. Patrick’s Day, alone. Unfortunately, pharmaceuticals company, **Valeant**, did not experience the same luck. In the last week, the stock has dropped 61.21%. On Tuesday, the company announced 2015 results, but significantly reduced 2016 sales guidance announced only a few months ago. The company lowered their revenue outlook from \$12.5-\$12.7 billion to \$11-\$11.2 billion. More importantly, the company warned it may default on debt covenants related to the timely release of their audited SEC financials. In deal news, **Marriott International** was expecting to acquire the assets of **Starwood Hotels & Resorts**, before having the deal abruptly stolen from them by rival bidder, **Anbang Insurance Group** of China. Whether Marriott will submit an enhanced bid remains to be seen. Looking ahead to this week, multiple consumer-oriented companies will release earnings. **Nike**, **Oxford Industries**, **Five Below**, and **General Mills** will all report results.