US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.715 (-5.4 bps)	GNMA (30 Yr) 6% Coupon:	108-31/32 (3.42%)
6 Mo. T-Bill:	1.898 (-4.1 bps)	Duration:	4.36 years
1 Yr. T-Bill:	2.013 (-3.7 bps)	Bond Buyer 40 Yield:	4.01 (unch.)
2 Yr. T-Note:	2.254 (-3.7 bps)	Crude Oil Futures:	65.88 (3.54)
3 Yr. T-Note:	2.402 (-4.1 bps)	Gold Spot:	1,347.33 (33.09)
5 Yr. T-Note:	2.599 (-4.2 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.814 (-3.1 bps)	U.S. High Yield:	6.62 (10 bps)
30 Yr. T-Bond:	3.061 (-1.6 bps)	BB:	5.27 (8 bps)
		B:	6.67 (9 bps)

In his first meeting as Chairman of the Federal Reserve, Jerome Powell and his fellow governors chose to raise the federal-funds rate by 25 basis points to a range of 1.5 to 1.75%. The Fed called out strong growth in jobs while they had previously discussed jobs growth as solid. Additionally, they noted that the economic outlook had strengthened and increased their GDP growth estimate from 2.5% for 2018 to 2.7%. They also guided to 2.4% GDP growth in 2019, up from 2.1% previously. They expect inflation to reach its target in the coming months but left their 2018 federal funds target unchanged at 2.0-2.25%; which would represent three rate hikes. During the prior week President Trump threatened $60 billion of tariffs on Chinese imports and called out Chinese efforts to take U.S. Technology via deception. China responded by suggesting they would consider suspending their purchases of Treasuries. Currently, China ownership represents around 19% of all foreign Treasury holdings. This threat caused the longer end of the yield curve to increase on Friday. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include: Tuesday: March Conference Board Consumer Confidence (131.0, 130.8); Wednesday: March 23 MBA Mortgage Applications (N/A, -1.1%), February preliminary Wholesale Inventories (N/A, 0.8%) and Q4 2017 Annualized QoQ GDP (2.7%, 2.5%); Thursday: March Chicago Purchasing Manager (62.0, 61.9), February Personal Income (0.4%, 0.4%), February Personal Spending (0.2%, 0.2%), March University of Michigan Consumer Sentiment (102.0, 102.0) and March 244 Initial Jobless Claims (230K, 229K).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	23,533.20 (-5.67%)	Strong Sectors:	Energy, Utilities
S&P 500:	2,588.26 (-5.93%)		Cons. Staples
S&P Midcap:	1,839.47 (-4.96%)	Weak Sectors:	Health Care, Info Tech.,
S&P Smallcap:	923.12 (-4.76%)		Financials
NASDAQ Comp:	6,992.67 (-6.53%)	NYSE Advance/Decline:	481 / 2,610
Russell 2000:	1,510.08 (-4.77%)	NYSE New Highs/New Lows:	118 / 383
		AAII Bulls/Bears:	33.2% / 28.5%

The S&P 500 Index slid nearly 6% last week and closed at the lowest level since February 8th, bringing the YTD return to -2.75%. Most of the negative movement can be credited to increasing odds of a global trade war. President Trump announced a plan to implement tariffs on nearly $60b of Chinese goods as punishment for China's lax enforcement U.S. intellectual property rights. In retaliation, China announced possible tariffs on over 128 imported U.S. goods. The result was a return of -4.7% for the Shanghai Shenzhen CSI 300 Index last week. If this trade war intensifies it could have significant impact on global financial markets. Europe was not immune from trade tariffs. The EU proposed a 3% protectionist revenue tax on large technology firms. This helped send European markets south as the STOXX 600 Index returned -3% last week. **Facebook Inc.** returned -13.9% last week, in part because of the proposal of the new EU tax, but even more importantly recent security concerns over their users' content. Facebook's CEO Mark Zuckerberg has apologized several ways for the company's "breach of trust" and vowed a change. Despite Facebook's dip, **Oracle Corp**. was the worst performer in the S&P 500 last week posting a -14.3% return. The software giant announced earnings well above analyst estimates, but missed 4Q revenue expectations and lowered their revenue forecasts. Google's parent **Alphabet Inc.** posted a -10.5% return last week, most of the blame can be attributed to EU's protectionist revenue tax. Not all stocks was negative last week. Several energy names were actually in the green, including **EOG Resources Inc.**, **Anadarko Petroleum Corp.** and **Conocophillips** which were all up over 5%, fueled by higher oil prices. **MuleSoft Inc.** agreed to be acquired by **salesforce.com Inc.** in a cash and stock deal worth over $6.5b. Overall, we remain constructive on U.S. equities as GDP and job data, along with corporate earnings remain strong. While equities contain risks, over the long run those who buy and hold tend to be rewarded for owning them.