US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.700 (-1.5 bps)	GNMA (30 Yr) 6% Coupon:	109-00/32 (3.40%)
6 Mo. T-Bill:	1.914 (1.5 bps)	Duration:	4.29 years
1 Yr. T-Bill:	2.082 (7.0 bps)	Bond Buyer 40 Yield:	3.98 (-3 bps)
2 Yr. T-Note:	2.266 (1.2 bps)	Crude Oil Futures:	64.94 (-0.94)
3 Yr. T-Note:	2.383 (-1.9 bps)	Gold Spot:	1,325.48 (-21.85)
5 Yr. T-Note:	2.562 (-3.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.739 (-7.5 bps)	U.S. High Yield:	6.62 (unch.)
30 Yr. T-Bond:	2.974 (-8.7 bps)	BB:	5.27 (unch.)
		B:	6.66 (1 bps)

Yields continued to fall early last week as fears of a trade war resurfaced. Notably, the benchmark 10-year Treasury note yield closed below 2.80% for the first time in seven weeks. Strong economic data later in the week supported the Federal Reserve's recent upward revision for growth prospects in coming months and Treasuries retreated. The final reading for fourth quarter QDP growth was revised up to 2.9% from an initial 2.5%, exceeding the expected revision to 2.7%. Consumer spending and business investment were positive contributors to the revisions. The PCE deflator rose to 1.8% in February, surpassing the expected 1.7% increase. University of Michigan Consumer Sentiment recorded the highest level in March since 2004. The first quarter saw yields rise by 39 bps on the 6-month T-bill, 38 bps on the 2-year note, and 33 bps on the 10-year. The 6-month T-bill yield is used as a proxy for a cash equivalent and surpassed the dividend yield on the S&P 500 in March for the first time since 2008. The 2-year Treasury note is the most sensitive to Federal Reserve monetary policy and has risen 100 bps since September 2017. The spread between the 10-year and 2-year has narrowed to 47 bps, the lowest since October 2007. The week ahead has a heavy economic calendar including Friday's March employment report which is expected to report a decrease in the unemployment rate to 4.0% and an increase in average hourly earnings. Other major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: March final Markit US Manufacturing PMI (55.7, 55.7), February Construction Spending MoM (0.4%, 0.0%), March ISM Manufacturing (60.0, 60.8); Wednesday: March 30 MBA Mortgage Applications (N/A, 4.8%), March ADP Employment Change (205k, 235k), February Factor Orders (1.7%, -1.4%), February final Durable Goods Orders (N/A, 3.1%); Thursday: March 31 Initial Jobless Claims (N/A, 215k), February Trade Balance ($-56.5b, $-56.6b); Friday: March Change in Nonfarm Payrolls (189k, 313k) and March Unemployment Rate (4.0%, 4.1%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	24,103.11 (2.42%)	Strong Sectors:	Consumer Staples, Real Estate
S&P 500:	2,640.87 (2.05%)		Telecommunication Services
S&P Midcap:	1,878.77 (2.20%)	Weak Sectors:	Energy, Consumer Discretionary
S&P Smallcap:	938.46 (1.73%)		Materials
NASDAQ Comp:	7,063.45 (1.03%)	NYSE Advance/Decline:	2,190 / 898
Russell 2000:	1,529.43 (1.35%)	NYSE New Highs/New Lows:	84 / 330
		AAII Bulls/Bears:	31.9% / 35.3%

Stocks, measured by the S&P 500, closed higher this holiday shortened week by 2%. The index closed the first three months of 2018 down -0.76%, its first quarterly loss since 2015. The first quarter of the year has seen an increase in volatility in both the news and in the markets. The S&P 500 has had a daily gain or loss of greater than 1% 23 times this year compared to only eight in all of 2017. Technology stocks felt the weight of FANG as **Amazon** took the sector lower earlier in the week after **Facebook** was the laggard the previous week. Consumer Staples stocks were the best performing group in the S&P 500 with the classic names of **Clorox** and **Church & Dwight** leading the gains. The sector rallied each day last week as US Treasury yields dropped. Other rate sensitive sectors joined with Real Estate, Telecommunication Services, Utilities, and Financials all up over 2% for the week. Energy was the worst performing sector last week after oil closed lower by -1.43% at $64.94 a barrel. The worst performing company in the sector, **Baker Hughes,** traded lower each day last week in step with oil prices. Looking ahead to next quarter, investors will be riding the wave of positive economic news. Personal income rose slightly for a second straight month as households also increased consumption. This slight blip in momentum could be offset by an employment number that is at a 45-year low and a positive outlook for discretionary spending driven by the new tax cuts which came into effect in January.