US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.440 (1.0 bps)	GNMA (30 Yr) 6% Coupon:	105-00/32 (4.49%)
6 Mo. T-Bill:	2.511 (0.9 bps)	Duration:	3.96 years
1 Yr. T-Bill:	2.519 (-2.5 bps)	Bond Buyer 40 Yield:	4.00 (-05 bps)
2 Yr. T-Note:	2.461 (-9.2 bps)	Crude Oil Futures:	56.07 (0.27)
3 Yr. T-Note:	2.436 (-9.7 bps)	Gold Spot:	1,298.30 (4.86)
5 Yr. T-Note:	2.430 (-12.6 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.628 (-12.5 bps)	U.S. High Yield:	6.96 (15 bps)
30 Yr. T-Bond:	3.012 (-11.1 bps)	BB:	5.36 (09 bps)
		B:	7.39 (17 bps)

Investment grade and high yield spreads widened marginally last week amid increased issuance and mixed global economic conditions. ECB forecasts for the Eurozone economies disappointed as growth continues to be increasing at a slower rate than anticipated. Amid the lack of growth acceleration, on Thursday, the European Central Bank revealed plans to stimulate the economies by saying they would hold interest rates steady through 2019 as well as issue low-cost long-term loans for banks beginning in September. Last week's Friday nonfarm payrolls report was only shown increasing by 20,000 in February which was far below consensus expectations of 180,000. This disappointment followed a week of mixed reports and while the unemployment rate did continue to fall, and wages were shown increasing, a wider trade deficit and the disappointing European data contributed to raising Treasury prices. Gold rallied meaningfully last week as the weak jobs report and generally weak market conditions increased investor interest in this asset. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: January Retail Sales Advance (0.0%, -1.2%); Tuesday: February CPI (0.2%, 0.0%); Wednesday: March 8 MBA Mortgage Applications (N/A, -2.5%), February PPI Final Demand (0.2%, -0.1%), January preliminary Durable Goods Orders (-0.5%, N/A) and January Construction Spending (0.4%, -0.6%); Thursday: March 9 Initial Jobless Claims (225k, 223k), January New Home Sales (624K, 621K); Friday: March Empire Manufacturing (10.0, 8.8), February Industrial Production (0.4%, -0.6%), March Preliminary U. Of Michigan Sentiment (95.6, 93.8).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	25,450.24(-2.17%)	Strong Sectors:	Utilities, Real Estate,
S&P 500:	2,706.53 (-2.12%)		Comm. Services
S&P Midcap:	1,841.52 (-3.35%)	Weak Sectors:	Industrials, Energy
S&P Smallcap:	933.58 (-4.53%)		Health Care
NASDAQ Comp:	7,263.87 (-2.43%)	NYSE Advance/Decline:	887 / 2,154
Russell 2000:	1,502.05 (-4.23%)	NYSE New Highs/New Lows:	224 / 84
		AAII Bulls/Bears:	37.4% / 26.7%

Equity markets were lower last week as fears of weaker global GDP weighed on returns. The European Central Bank sent ripples through markets after they slashed their 2019 real GDP growth target from 1.7% last December to 1.1%. Additionally, they made smaller cuts to their 2020 and 2021 estimates. The U.S. Change in Nonfarm Payrolls where 25k compared to an expected 180k last month, uncharacteristically low. There have only been 2 months since 2011 where the number has come in lower. Despite the disappointing jobs number, wage growth remains strong at 3.4% year-over-year and the unemployment rate of 3.8% remains historically low. The tough economic backdrop didn't slow the announcement of **Biogen Inc.** to acquire **Nightstar Therapeutics** for a 74% premium and nearly $750m all cash, in a deal that is expected to close by the end of the quarter. Last week, retail had a string of weak earnings announcements. **Kroger Co.** announced disappointing 4Q earnings as margin compression continues, primarily from pricing and product mix changes, as well as additional investments into their supply chain. Despite their efforts to soften the blow last quarter, **Ross Stores** announced lower 2019 guidance, despite earnings and revenue that were in-line with expectations. **Burlington Stores** fell over 11% after reporting that revenue missed and margins were lower last quarter. Putting the current equity market in perspective, March 9, 2009 marked the low of the 'Great Recession'. One would have gained 400% had they invested in the S&P 500 10 years ago, which computes to a 17.4% average annual return. Had one invested at the previous high, October 9, 2007, they would have had a 124% return, or a 7.3% average annual return. Lesson? Invest high or invest low, equities remain a tremendous vehicle for buy-and-hold capital appreciation.