

26 April 2019

Overview

1Q Earnings: Nearly 40% of the S&P 500 has reported earnings with revenues up 4.7% Y/Y and earnings 3.4% higher Y/Y. So far, the biggest positive earnings surprises have come from the Communication Services and Technology sectors, while Energy and Industrials have lagged.

ECB Economic Bulletin: In the April release, the ECB noted ample accommodation is still necessary, risks to the Eurozone growth outlook remain tilted to the downside and recent data has confirmed slower growth momentum. The ECB will announce precise terms of its new TLTRO series at an upcoming meeting and continues to assess how best to preserve the positive effects of negative interest rates while mitigating the negative impact it has on the bank-based transmission channel.

Oil: The Saudi Energy Minister sees no need to take immediate action to alter oil production following the U.S. decision to end waivers on imports from Iran. The next key date to focus on will be in June when the current round of OPEC and Russia global output cuts is set to expire.

Key Financial Indicators

As of: 4/24/2019

Rates	Yield	1 W Change	1M Change	3M Change	6M Change	12M Change	YTD Change
Fed Funds	2.50%	0 bps	0 bps	0 bps	25 bps	75 bps	0 bps
3 Month USD Libor	2.59%	-1 bps	-2 bps	-18 bps	8 bps	22 bps	-22 bps
3 Month Euribor	-0.31%	0 bps	0 bps	-1 bps	1 bps	2 bps	0 bps
3 Month U.S. T-Bill	2.43%	-1 bps	-3 bps	6 bps	9 bps	57 bps	-2 bps
2-Year U.S. Treasury	2.31%	-9 bps	-1 bps	-25 bps	-55 bps	-16 bps	-19 bps
10-Year U.S. Treasury	2.52%	-7 bps	7 bps	-19 bps	-60 bps	-47 bps	-16 bps
10-Year German Bund	-0.02%	-10 bps	1 bps	-21 bps	-41 bps	-65 bps	-26 bps
10-Year U.K. Gilt	1.17%	-7 bps	15 bps	-13 bps	-29 bps	-37 bps	-10 bps
10-Year JGB	-0.04%	-3 bps	2 bps	-5 bps	-18 bps	-10 bps	-4 bps
Fixed Income	Yield	OAS	1W Return	1M Return	3M Return	12M Return	YTD Return
Barclays Capital U.S. Government-Treasury	2.45%	N/A	0.5%	-0.1%	1.7%	5.0%	1.7%
Barclays Capital U.S. TIPS	2.67%	N/A	0.7%	0.3%	3.1%	3.5%	3.4%
Barclays Capital U.S. Aggregate	2.99%	43	0.4%	0.2%	2.4%	5.4%	2.8%
Barclays Capital Global Aggregate	1.82%	46	0.1%	-0.6%	1.2%	0.6%	1.7%
Barclays Capital U.S. ABS	2.71%	36	0.2%	0.3%	1.5%	4.0%	1.6%
Barclays Capital U.S. MBS	3.20%	39	0.2%	0.0%	1.8%	5.1%	2.0%
Barclays Capital U.S. Corporate Investment Grade	3.62%	110	0.4%	0.9%	4.1%	6.5%	5.5%
BAML Euro Corporate Investment Grade	0.74%	111	0.5%	0.9%	3.4%	3.2%	2.6%
Barclays Capital U.S. Corporate High Yield	6.13%	355	0.2%	1.6%	4.9%	6.6%	8.6%
BAML European Currency High Yield Non-Financial	3.48%	369	0.2%	1.9%	5.1%	3.0%	3.1%
CS U.S. Leveraged Loans	6.67%	432	0.2%	1.3%	2.9%	4.3%	6.4%
CS Western European Leveraged Loans Non-USD	4.81%	408	0.1%	0.6%	1.6%	2.3%	3.5%
JPM CEMBI Broad Diversified	5.68%	324	0.2%	0.7%	3.8%	5.7%	4.0%
JPM EMBI Global Diversified	6.02%	343	0.0%	0.5%	3.7%	5.4%	2.6%
JPM GBI-EM Global Diversified	6.20%	N/A	-1.3%	-0.5%	0.7%	-5.1%	-3.3%
Equities	Price	Div Yield	1W Return	1M Return	3M Return	12M Return	YTD Return
S&P 500	2,927.25	1.85%	0.9%	4.7%	11.4%	13.4%	17.5%
Euro STOXX 600 (Local)	390.98	3.01%	0.4%	4.0%	9.9%	2.1%	15.8%
U.K. FTSE 100 (Local)	7,471.75	4.32%	0.0%	3.7%	9.6%	0.6%	11.1%
Japan Nikkei 225 (Local)	22,200.00	2.06%	-0.3%	2.6%	7.9%	-0.4%	10.9%
China Shanghai Composite (Local)	3,201.61	2.09%	-1.9%	3.1%	23.5%	2.3%	28.4%
MSCI AC World (Local)	523.04	2.47%	0.5%	4.2%	10.7%	8.4%	7.8%
MSCI Emerging Markets (Local)	1,084.52	2.64%	-0.5%	3.0%	8.3%	1.1%	2.0%
Commodities/Currencies	Price	1 W Change	1M Change	3M Change	6M Change	12M Change	YTD Change
S&P GS Commodity Index	455.09	1.2%	4.8%	11.9%	-1.9%	-3.3%	21.6%
WTI Crude (\$/bbl)	65.83	3.3%	11.8%	24.3%	-1.1%	-2.7%	45.8%
Copper (\$/lb)	2.92	-1.9%	2.9%	9.1%	6.2%	-7.0%	11.0%
Gold (\$/oz)	1,271.65	-0.3%	-3.0%	-0.9%	3.3%	-4.3%	-0.6%
U.S. Dollar Index	98.17	1.2%	1.6%	1.6%	1.8%	8.2%	2.1%
Euro (USD/EUR)	1.12	-0.9%	-0.7%	-1.3%	-1.7%	-8.3%	-2.0%
British Pound (USD/GBP)	1.30	-0.7%	-2.0%	-0.7%	0.3%	-7.2%	1.7%
Japanese Yen (Yen/USD)	111.77	-0.2%	1.8%	2.0%	-0.7%	2.4%	1.9%
Chinese Yuan (CNY/USD)	6.72	0.5%	0.2%	-1.1%	-3.2%	6.5%	-2.2%

Source: FactSet and Bloomberg

Economics

UNITED STATES

PMIs: The preliminary reading of Markit's April manufacturing Purchasing Managers' Index survey was unchanged from March, while the service sector reading fell more than expected. In manufacturing, output and new orders were improved, while employment and inventories weakened and inflation pressures remained subdued. The services index hit its lowest level since March 2017 as employment and business activity slowed, price pressures receded and growth prospects declined.

Home Sales: March data was mixed. Existing home sales declined more than expected, decreasing for the fourth time in the last five months. The macro backdrop argues for a more favorable sales activity reading with a strong labor market, lower mortgage rates and higher inventory levels. In contrast, new home sales unexpectedly increased to a 16-month high.

Durable Goods: Headline durable goods orders increased more than expected in March, while February's reading was revised higher. Ex-transportation and non-defense capital goods orders ex-aircraft (a proxy for business investment) both beat estimates, signaling the manufacturing sector seems to be on more stable footing.

EUROPE

EZ Business Confidence: Business confidence in the euro area's two largest economies, Germany and France, remains sluggish. Germany's Ifo index unexpectedly declined in April with measures for current conditions and expectations also falling. In France, manufacturing confidence sunk to a near four-year low further clouding the recovery outlook.

EZ PMIs: Leading indicators show the euro area growth outlook remains challenging as Markit's preliminary April Purchasing Managers' Index surveys came in below estimates. The manufacturing PMI edged higher but remained in contraction territory for the third-straight month. The service index still signals expansion, but the growth pace has slowed.

U.K. Retail Sales: Retail sales rose for the third-consecutive month in March fueled by e-commerce and grocery sales. Despite ongoing Brexit uncertainty, consumers have shown resilience and are supported by strong labor market conditions.

ASIA - PAC

BOJ Meeting: The BOJ kept its policy on hold but tweaked their forward guidance saying interest rates will remain at current levels until Spring 2020 vs. "an extended time". This comes despite lowering its inflation forecast from January.

Japan Inflation: March headline inflation increased to .5% Y/Y from .2% in February while the core rate ticked up to .8% Y/Y. Higher non-fresh food and energy prices pushed inflation up, but the overall rate still struggles to gain traction.

South Korea GDP: Asia's fourth-largest economy unexpectedly contracted .3% during 1Q19. Recent weakness in China and ongoing global trade tensions have created an uncertain capex environment, which now appears to be hampering growth in manufacturing and technology export-oriented countries like South Korea.

Policy

UNITED STATES

Trade: U.S.-Japan trade discussions resumed their most recent round of talks in Washington on Thursday. Separately, U.S.-China trade discussions will continue next week in Beijing to cover “trade issues including intellectual property, forced technology transfer, non-tariff barriers, agriculture, services, purchases and enforcement.” A Chinese delegation will then head to Washington for return talks on May 8.

Social Security: The annual report by the trustees of Social Security and Medicare estimated that the Social Security program’s costs will begin to exceed its income by 2020, two years later than what was projected last year, and that the trust fund will be depleted by 2035. Taken separately, the retirement program will be able to pay benefits until 2034, unchanged from the last year’s projections, while the disability fund will be able to pay benefits until 2052, 20 years later than what was projected last year.

Federal Reserve: Herman Cain, former GOP presidential candidate, has formally dropped his bid for a seat on the Federal Reserve Board of Governors. He cited a reduction of salary as his primary reason for the move. Recall that Cain faced heavy Senate opposition. Stephen Moore, another Trump ally, is still in consideration, although significant scrutiny continues.

Mueller Report: Following the release of the much-awaited Mueller Report last week, House Democrats have been reluctant to formally vote out articles of impeachment on the floor given the large risk it poses and the fact that the move most certainly will not win over the GOP-controlled Senate. There have been increasing calls for impeachment from 2020 Democratic presidential candidates, however, with Sen. Elizabeth Warren and Sen. Kamala Harris among them.

Drone Deliveries: The Federal Aviation Administration has authorized Alphabet’s Wing Aviation Unit to operate a fleet of unmanned aircraft for consumer-goods deliveries. The approval, however, only covers the rural area around Blacksburg, VA.

GLOBAL

Iran Sanctions: The Trump administration will not renew waivers, which expire on May 2, issued for countries that allowed them to purchase Iranian oil following sanctions the administration initiated last year. Recall that the sanctions followed U.S. withdrawal from the 2015 nuclear deal between Iran and other world powers. The current set of waivers were issued to China, Greece, India, Italy, Japan, South Korea, Taiwan and Turkey. Iran is responding by announcing to close the Strait of Hormuz, a waterway vital for global oil shipments while China and Turkey have signaled their intention to defy the sanctions.

Ukraine: Volodymyr Zelensky, a comedian actor with no political experience, has won Ukraine’s presidency following second-round voting over the weekend. Zelensky received 73% of the vote within incumbent Petro Poroshenko receiving just under 25%. Zelensky positioned himself an anti-establishment candidate and likely benefited from voter disillusionment with Poroshenko’s administration. Recall that Zelensky took 30% of the share in a first-round vote on March 31.

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