ECONOMIC HIGHLIGHTS

U.S. Real GDP Growth for the fourth quarter of 2018 came in at 2.20%, with the GDP Price Index up 1.70%. The Chicago Purchasing Managers Index came in at 58.7 for March, versus 64.7 for February. Both numbers are still quite expansionary; however, the trend in the ISM Manufacturing counterpart is downward. Finally, New Single-Family Home Sales were 667,000 annualized units for February, up from the 607,000 annualized units the month before.

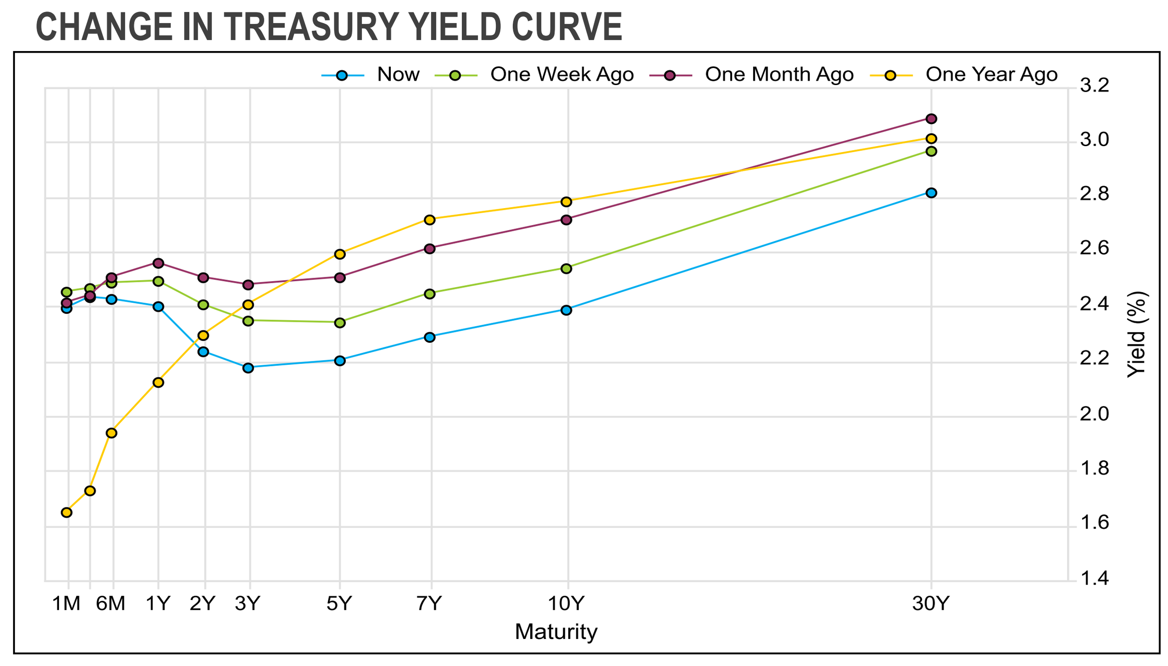
FIXED INCOME

Treasury yields have sunk as if a U.S. recession is nearly here. The bundle of important economic reports coming this week could show these fears are overblown. The yield on benchmark ten-year notes dropped to a 15-month low of 2.34% on Thursday amid speculation growth is faltering enough to warrant a Federal Reserve interest-rate cut this year. But there's been little tangible evidence in the data to justify that. Even the Fed, which got yields tumbling after their last FOMC meeting in March by shocking investors with its more cautious stance toward the economy, didn't actually predict gloom and doom. Bond investors get some real information this week, though. The biggest news will come Friday when the March jobs report is released. There will also be insights into how much Americans are spending at retail stores as well as several readings on how much factories are being asked to produce. A handful of Fed officials are scheduled to speak, albeit nobody from the group that actually votes on central-bank policy. The ten-year Treasury yield stood at 2.41% last Friday at the close of trading, which also marked the end of the first quarter. While that was above the low set for the week last Thursday, it was still far below the 2.61% level from the day before the last Fed announcement that sent yields tumbling. The slide in the ten-year has also taken it below the rate on three-month Treasury bills, which has caused an inversion in the yield curve which some have predicted as a harbinger of a coming recession. Global issues will be on the bond market's agenda this week as well. In addition to continued uncertainty over Brexit and Chinese Vice Premier Liu He's planned trade talks in Washington, traders will also be eying economic data from Germany and China due for release this week. Prices for fed funds futures contracts show traders are betting the U.S. central bank will cut its main interest rate by about a quarter point by the end of the year. That is in direct contrast to what Fed officials are saying almost daily. After the last Fed meeting, the median projection of Federal Open Market Committee members was for the rate to remain steady throughout 2019, several Fed officials who spoke last week downplayed worries about the current state of the economy.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	2.38%	3 mo	2.40%	3 mo	2.52%	3 mo	1.52%
6 mo	2.42%	6 mo	2.39%	6 mo	2.54%	6 mo	1.53%
1 yr	2.39%	1 yr	2.34%	1 yr	2.55%	1 yr	1.55%
2 yr	2.26%	2 yr	2.36%	2 yr	2.53%	2 yr	1.56%
5 yr	2.23%	5 yr	2.27%	5 yr	2.67%	5 yr	1.67%
10 yr	2.41%	10 yr	2.71%	10 yr	3.13%	10 yr	2.05%
30 yr	2.81%	30 yr		30 yr	3.78%	30 yr	2.95%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	1.61%	11.81%
S&P 500 (Large Cap)	1.24%	13.59%
S&P 400 (Mid Cap)	2.15%	14.56%
Russell 2000 (Small Cap)	1.91%	14.66%
NASDAQ Composite	1.22%	16.81%
MSCI EAFE (International)	0.53%	10.14%
iShares Real Estate	1.15%	16.77%

U.S. Markets opened higher on Friday, in which it is looking to close out its best quarter since 1998, according to data from Bespoke Investment Group. This is a big shift in the Market seeing as the year's start was not nearly as optimistic. In fact, at the beginning of the year the S&P 500 was off to its worst start since 2000 and just the fifth year it was down more than 2% in the first two trading days starting the year. The S&P 500 index finished at its highest levels of the week, ending the week up 1.20%. Healthcare and Industrial were the big leaders while REITs and Energy trailed. The Dollar rose against the other major currencies, while Gold finished up .2% and WTI crude climbed to 1.4% to end above $60/barrel.

Treasury Secretary Mnuchin tweeted that he and USTR Lighthizer concluded "constructive" trade talks in Beijing. According to Bloomberg, the meeting's purpose was to ensure there were no discrepancies in English and Chinese versions of trade text, and to balance the number of working visits to each capital. White House economic adviser Kudlow noted that the U.S. may remove some, but not all, tariffs because "the US doesn't want to give up leverage." This trade news seems to have positively boosted the market near week end.

This week ends a very busy week of Fed appearances. Following the FOMC's dovish March meeting, the narrative remained adamantly focused on patience. Several speakers addressed the yield-curve inversion directly, with speaker Evans saying that the move is "pretty narrow" so far and speaker Kaplan stating that there would need to be a deeper inversion to produce a clearer signal for policy. Regardless, the yield inversion should be watched for potential signals on what's to come.

Lyft, a transportation network company, opened Friday for trading for the first time after having its IPO priced at $72 a share. This popular company precedes expected IPOs from Uber, Pinterest, and Slack. As noted by the Wall Street Journal, Lyft and Uber will each have raised more venture capital than any US startup that has gone public.

U.S. consumer spending and personal income were short of expectations in January while inflation eased. As Bloomberg's Jeff Kearns mentions, this early read on the economy for the first quarter may add concerns about the outlook." Purchases, which account for about 70% of the economy, rose 0.1% from the prior month after a downwardly revised .6% drop, according to a Commerce Department report. This fell shy of the .2% personal spending consensus. February's new home sales came in at 667K SAAR, which exceeds the 620K consensus, and the final March consumer sentiment reading was 98.4, better than February's 93.8.

Data from Bespoke Investment Group shows that in January and February, the U.S. stock market experienced heavy intraday buying, as well as, opening and closing gains. Buying of this manner, especially in the last hour of the day, which is when supposedly when "smart money" makes its move, is seen as a bullish measure. However, in March the market has seen a shift in its buying patterns, especially that of the last hour of trading, which suggests the "smart money" has been selling. This can be seen as a weakening indicator.

The S&P 500 index continues on its strong year to date gains as March comes to a close. Indicators such as a potential yield inversion and softening economic data seem to be the main concerns regarding market outlook. The S&P 500 index closed at 2835, in which it remains above its support level of approximately 2820.

ASSET ALLOCATION

CURRENT SENTIMENT	
Cash	Neutral
Short Fixed Income	Neutral
Intermediate Fixed Income	Neutral
Inflation-Adjusted Fixed Income	Unfavorable
High Yield Fixed Income	Neutral
International Fixed Income	Unfavorable
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Neutral
Real Estate	Neutral
Commodities	Unfavorable

Below is a summary of our current stance on most asset classes:

Cash - Neutral weighting now that Fed Funds rate is above 2%. Any exposure is for defensive positioning or liquidity needs.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the outlook for higher interest rates.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain present in floating rate securities.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened considerably and do not warrant exposure to unnecessary credit risk when compared to Treasuries.
International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure remains an attractive market capitalization. Mid cap stocks continue to provide the "sweet spot" of market capitalization - large enough to provide stability, but small enough to be more nimble.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. However, a recent divergence of relative strength between small caps and large caps warrants a neutral exposure.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight to neutral weight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provides a headwind for EM in the near term.
Real Estate - Pricing has stabilized and long-term valuations appear attractive. Real Estate has performed well of late and should continue to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.