ECONOMIC HIGHLIGHTS

U.S. Retail Sales were down 0.2% for February, versus +0.3% consensus. The ISM Manufacturing Index came in at 55.3 for March, a bit better than the 52.4 for the Purchasing Managers Index. Construction Spending for February was up 1.0%, below the +2.5% the prior month. Durable Goods orders were down 1.6% for February, as expected. The ISM and PMI Services Indexes for March came in at 56.1 and 55.3, respectively. Finally, the U.S. Unemployment Rate stayed at a strong 3.8% for March, the same level as February.

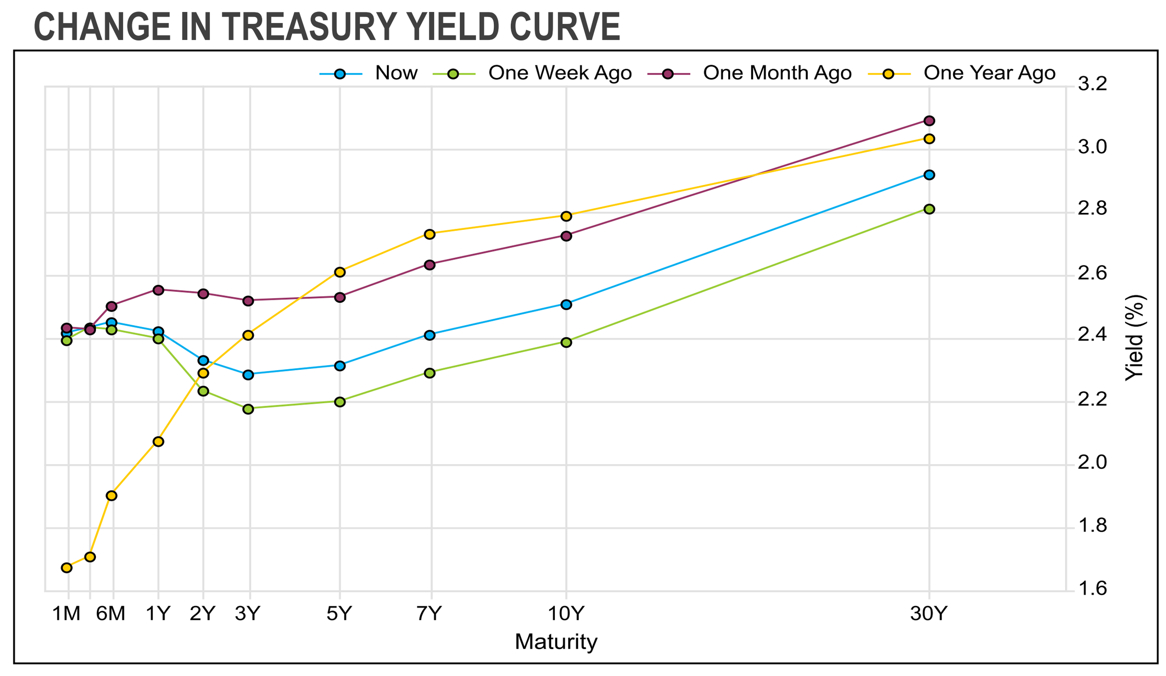
FIXED INCOME

The bond market remains confident after the latest U.S. jobs data that the Federal Reserve's next move will likely be to lower rates. But traders are scratching their heads when it comes to President Donald Trump's suggestion that policymakers should restore quantitative easing. Traders see about a 70% chance of a quarter-point Fed rate cut in 2019, even as a report Friday showed U.S. hiring in March rebounded more than analysts expected. But that doesn't mean the market views the economy as weak enough to justify Trump's call for the Fed to re-open the monetary floodgates. The yield curve from three months to ten years flattened modestly after the comments from the president. But it's still in positive territory after briefly inverting last month for the first time since 2007. The inversion, a potential recessionary signal, came amid a worsening global economic outlook. "The market is focused on downside risks and the distribution of risk is seen as greater to the downside than it is to the upside," said Mark Cabana, head of U.S. rates strategy at Bank of America. But at the same time, he doubts "the Fed will drop rates and start QE, just because the president asked for it. They will keep watching the data and react accordingly." At around 2.50%, the ten-year Treasury yield isn't far above the lowest levels this year, reached just a few weeks ago. The benchmark note hardly moved after the release of the March jobs report. Payrolls rose 196,000 in March, beating the median estimate in a Bloomberg survey and rebounding from an increase of just 33,000 in the previous month. The Fed last month signaled a prolonged pause on policy after nine rate hikes since December 2015, while flagging risks amid slowing global growth. Bond investors have been assessing that backdrop, from trade friction to cooling economies in Europe and Asia, and predict monetary easing is the likeliest past going forward. "The message that's been coming from the market is that it believes the Fed is too tight and needs to ease," said Rich Sega, global chief investment strategist at Hartford, Connecticut-based Conning, which manages about $133 billion. "Trump's comments don't change that story."

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	2.42%	3 mo	2.39%	3 mo	2.55%	3 mo	1.55%
6 mo	2.45%	6 mo	2.38%	6 mo	2.56%	6 mo	1.57%
1 yr	2.42%	1 yr	2.36%	1 yr	2.59%	1 yr	1.59%
2 yr	2.34%	2 yr	2.43%	2 yr	2.59%	2 yr	1.61%
5 yr	2.31%	5 yr	2.34%	5 yr	2.76%	5 yr	1.75%
10 yr	2.50%	10 yr	2.77%	10 yr	3.22%	10 yr	2.09%
30 yr	2.90%	30 yr		30 yr	3.88%	30 yr	2.99%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.67%	14.00%
S&P 500 (Large Cap)	0.92%	16.02%
S&P 400 (Mid Cap)	1.39%	17.69%
Russell 2000 (Small Cap)	1.72%	17.78%
NASDAQ Composite	1.43%	20.00%
MSCI EAFE (International)	0.85%	12.71%
iShares Real Estate	1.08%	18.19%

Representative of the U.S. Market, the S&P 500 index had a strong week of gains (.89%). This week was led by Tech and Industrials, while Utilities and Defensives were the laggards. The dollar was little changed this week, while Gold returned (.13%). Crude oil managed to recover above its 200-Day average after seeing declines of ~30% below its average, one of the largest deviations since its inception. Oil finished up (2.78%) closing at 63.30.

As noted by Bespoke Investment Group, the percentage of S&P 500 stocks hitting new 52-week highs expanded to 12.5% on Monday, which is the highest level seen since late January 2018. These new highs trading above their 50-day moving average are seen as positive signals of market participation, and if the market continues to rally, it isn't out of the question for ~20% of stocks to reach new highs.

It was a fairly quiet week of economic data. The most notable piece of economic data is that March nonfarm payrolls are up 196K against its estimate of 175K. Other data includes: the Unemployment rate remained unchanged at 3.8%, annualized wage growth is up 3.2%, and manufacturing jobs fell 6K, which is their first decline since October 2016. Other Durable Goods declining 1.2% for their third monthly decline in the last four months, Auto Sales who saw a decline in the majority of automobile producers, and Retail continuing their disappointing three month trend of reporting weaker than expected sales. As noted by the New York Times, U.S. new-vehicle sales are expected to decline in 2019 after a lengthy bull run since the end of the Great Recession, led by falling passenger car sales.

With Prime Minister Theresa May's most recent Brexit deal rejected, Britain will officially seek a further delay to Brexit after PM May wrote to the EU requesting more time to reach a deal in parliament. The extension will be until June 30; with the right to leave earlier if a deal is done.

The Wall Street Journal noted that advertisers are starting to shift their spending on "search ads" from Google to Amazon. As the article mentions, ~54% of people looking for a product now directly begin their search on Amazon, as opposed to starting from Google.

The Federal Reserve continues down its path of its patient "wait and see" strategy. At the beginning of the year, the Fed made a U-turn that eliminated expectations for an interest-rate hike this year, and then continued its dovishness by announcing plans to end the drawdown of its $4 trillion balance sheet in March. As noted by Bloomberg News, global growth seems a slight concern, in which many believe there are greater odds for a rate cut before a rate increase. Federal Reserve Chairman Powell is under pressure, though Fed officials maintain their reliance on economic data to guide them. Officials continue to stress patience on rate moves as the long expansion decelerates and inflation stays below their 2% target.

A little less than a month ago, the S&P 500 broke through its resistance level of 2820, in which it climbed to 2854. A week later, the index was seen retesting the former resistance level of 2820 and since then, has bounced off this support level to reach year-to-date highs of 2892. The next level of resistance may be seen at the index's all time high of 2930. The S&P 500 closed at 2892.

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.