

EQUITY MARKETS

The S&P 500 Index gained in April for the first time since January. However, this widely followed U.S. equity index remained in modestly negative territory for the year to date. At the beginning of the month, the S&P 500 briefly dipped back into bear market territory (down 10% from the late January highs), but it recovered from that point to close out the month on a positive note. Higher capital market volatility coincided with this early month decline in equities, but volatility moderated from that point for the balance of the month. Most major U.S. stock indices, including the S&P 500, Dow Jones Industrial Average, NASDAQ, Russell 1000, and Russell 3000 managed to post modest gains for April, although these indices are still down on a year-to-date basis. The Russell 2000 Index, a measure of small capitalization stocks, also enjoyed gains in April and is now positive for the year to date. Developed international stocks outpaced the major U.S. stock indices for the month, while emerging market stocks declined. No significant performance advantage was evident between growth and value stocks.

FIXED INCOME MARKETS

The notable rise in 10-year U.S. Treasury yields that began 2018 resumed in April. The yield on the 10-year U.S. Treasury rose 21 basis points during the month and crossed above the important 3% mark, its highest level in over four years. Overall, this increase in interest rates resulted in negative returns for most fixed income sectors in April. High-yield bonds were one of the few pockets in fixed income that bucked this trend and turned in positive monthly results. The Bloomberg Barclays U.S. Aggregate Bond Index posted negative returns as both Treasuries and investment grade corporates declined in value.

ECONOMIC DATA

The economy slowed a bit in March but remained solidly in growth mode. The labor market disappointed as new job additions posted the smallest increase in six months. New job openings dipped, although the unemployment rate held steady at 4.1%. Housing was a bright spot, as building permits, housing starts and new and existing home sales all increased from last month. Inflation saw an uptick as the effects of higher energy prices rippled through the economy. The first estimate of first quarter 2018 GDP was 2.3%, a positive surprise compared to the 2.0% consensus estimate. While this is a slowdown from the last few quarters, it is actually the strongest first quarter in the U.S. since 2015. The ISM Manufacturing Index and ISM Non-Manufacturing Index softened a bit but remained elevated and continued to indicate solid economic growth. The Federal Open Market Committee's two day meeting concludes on May 2nd and no rate change is expected. President Trump nominated Richard Clarida to be the Fed's Vice Chairman and Michelle Bowman to fill another vacant spot on the board. Both nominations suggest a continuation of current Fed policy.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	Mar	185,000	103,000	313,000	326,000
Unemployment	Mar	4.0%	4.1%	4.1%	
ISM Manufacturing	Mar	59.6	59.3	60.8	
ISM Non-Manufacturing	Mar	59.0	58.8	59.5	
Retail Sales ex Auto & Gas	Mar	0.4%	0.3%	0.3%	
Average Hourly Earnings YOY	Mar	2.7%	2.7%	2.6%	
JOLTS Job Openings	Feb	6,024,000	6,052,000	6,312,000	6,228,000
PPI MOM	Mar	0.1%	0.3%	0.2%	
PPI MOM ex Food & Energy	Mar	0.2%	0.3%	0.2%	
PPI YOY	Mar	2.9%	3.0%	2.8%	
PPI YOY ex Food & Energy	Mar	2.6%	2.7%	2.5%	
CPI MOM	Mar	0.0%	-0.1%	0.2%	
CPI MOM ex Food & Energy	Mar	0.2%	0.2%	0.2%	
CPI YOY	Mar	2.4%	2.4%	2.2%	
CPI YOY ex Food & Energy	Mar	2.1%	2.1%	1.8%	

Industrial Production	Mar	0.3%	0.5%	1.1%	1.0%
Housing Starts	Mar	1,267,000	1,319,000	1,236,000	1,295,000
Building Permits	Mar	1,321,000	1,354,000	1,298,000	1,321,000
New Home Sales	Mar	630,000	694,000	618,000	667,000
Existing Home Sales	Mar	5,550,000	5,600,000	5,540,000	
Leading Index	Mar	0.3%	0.3%	0.6%	0.7%
Durable Goods Orders	Mar (P)	1.6%	2.6%	3.0%	3.5%
S&P CoreLogic CS 20-City YOY	Feb	6.35%	6.80%	6.40%	6.43%
Personal Income	Mar	0.4%	0.3%	0.4%	0.3%
Personal Spending	Mar	0.4%	0.4%	0.2%	0.0%
GDP Annualized QOQ	1Q (A)	2.0%	2.3%	2.9%	
Univ. of Mich. Sentiment	Apr (F)	98.0	98.8	97.8	

P = Preliminary, A = Advance, F = Final,

Source: Bloomberg

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