



As of 04/14/2017

STOCKS	Close	Wk		Div Yield	YTD Change	12 Mos % Change
		Net Change	% Change			
DJIA	20,453.25	-202.85	-0.98	2.38	3.49	14.10
S&P 500	2,328.95	-26.59	-1.13	2.00	4.03	11.84
NASDAQ 100	5,353.59	-64.78	-1.20	1.12	10.07	17.54
S&P MidCap 400	1,681.04	-25.34	-1.49	1.74	1.23	15.20
Russell 2000	1,345.24	-19.32	-1.42	1.49	-0.88	19.20

TREASURIES	Yield	FOREX	Price	Wk %Change
2-Year	1.20	Euro/Dollar	1.06	0.30
5-Year	1.76	Dollar/Yen	108.57	-2.27
10-Year	2.23	Sterling/Dollar	1.25	1.25
30-Year	2.89	Dollar/Cad	1.33	-0.68

Source: Thomson Reuters, Bloomberg

### What Caught Our Eye This Week

After many investors exited bonds for stocks in the weeks following the election, investors have reversed course and are back to buying bonds in the first quarter of 2017. The record amount of issuance helped feed their appetite. Investment grade U.S. companies issued \$414.5 billion of debt in the quarter – the highest quarter on record; and high yield U.S. companies (junk rated) issued \$79.6 billion, double from a year earlier. In addition, companies and governments in the emerging markets (EM) sold \$178.5 billion of dollar denominated debt in the first three months of the year – the best first quarter on record. This week, Saudi Arabia raised \$9 billion with its first dollar denominated Islamic bond sale with more issuance planned in the future. The EM issuance and demand is part of a broader EM comeback. New deals in the EM have often been oversubscribed enabling the issuing entity the ability to reduce the interest rate and raise more capital. In the U.S., issuance and demand for bonds could be a sign that there is skepticism about faster economic growth and the trajectory of rate increases.

### Economy

The most anticipated economic report this week was the retail sales report, which was released on Friday. Retail sales decreased 0.2% in March, and are now up 5.2% year-over-year. The all important control category, which excludes food service, autos, gas and building materials advanced by 0.5%. Retail sales figures were revised lower for February by 0.3%. Auto dealerships were the biggest drag on the report declining by 1.2%. The best performing sector was electronics and appliances, which increased by 2.6%. Earlier in the week the JOLTS report (Job Openings and Labor Turnover Survey) showed 5.7 million job openings in February. The “quits” rate was little changed at 2.1%, and the layoffs and discharges rate was unchanged at 1.1%. Job openings were largest in healthcare and social assistance (+73,000) and accommodation and food services (+66,000). Overall when reviewing the last twelve months the net employment gain amounts to 2.4 million. On Thursday we were pleased to see weekly jobless claims decline by 1,000 to 234,000 during the week ending April 8<sup>th</sup>. The four week moving average is now at 247,000. Finally on Friday the March Consumer Price Index showed a decline of 0.3%, which was below consensus estimates. The Core CPI (excludes food & energy) also declined, dropping by 0.12%.

### Fixed Income/Credit Market

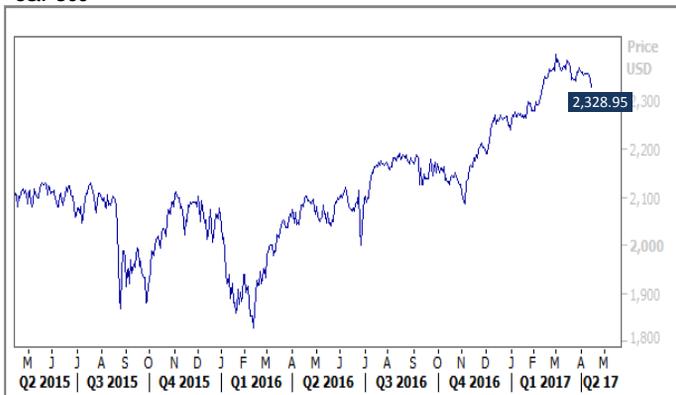
Week over week, U.S. government bond yields rallied across the curve anywhere from 3.1 basis points to 10.3 basis points. The spread between the 2-year and 10-year tenors compressed 7 bps this week to 103 bps, just three basis points shy of where it was one day before the U.S. Presidential election in November at 100 bps. Treasuries rallied for a fifth straight week, the longest streak since July 2016 following the Brexit vote. The 10-year Treasury is currently at 2.237%, its year-to-date low, however, it remains attractive when compared to other global 10-year bonds.

Country	Rate	Basis point spread vs U.S.
U.S.	2.237	
U.K.	1.041	-119.6
France	0.908	-132.9
Germany	0.184	-205.3
Italy	2.289	5.2
Spain	1.674	-56.3
Switzerland	-0.209	-244.6
Japan	0.016	-222.1

### Equities

Equity indexes were lower this week, as investors were buying safer assets partly due to geopolitical tensions overseas. Risk off trades were in vogue this week as gold and US treasury investments all produced gains. Investors grew nervous as tensions between the USA and Russia heated up with Secretary of State Rex Tillerson visiting Moscow, and North Korea claimed that the USA was an aggressor by moving Navy ships to their part of the world. There was a sell-off in stocks despite expectations for positive earnings. Some of the large banks announced strong earnings on Thursday in a holiday shortened week of trading due to the Good Friday holiday and Easter weekend. Utility, consumer staples and Telecom sectors were winners with select industrial names showing downside movement. Earnings could decide the direction for stocks as quarterly earnings reports are released over the next few weeks.

### S&P 500



### Our View

Tax season comes mercifully to an end on Monday. Through last week, tax receipts are running ahead by 5.5% as compared to last year. The growth rate of tax receipts in 2016 was 3.0%. Tax receipts are tightly correlated with the growth rate of nominal income and that has been growing at a 4% annualized rate since the last recession. Nominal income is largely driven by employment, wages and hours worked. Strong tax receipts are indicative of a healthy employment situation. Despite the generally positive jobs environment, we have noted an increase in the number of consumer defaults. Subprime auto loan defaults have risen dramatically and there is some evidence that default rates are edging higher in other consumer loans. During the middle-to-late portion of the business cycle the relationship between consumer spending and delinquencies is tenuous. Our concern would be heightened with the emergence of credit tightening. Currently, available credit is not an issue, but it bears watching since consumer spending is such a large component of the economy.

COMING UP NEXT WEEK		Est.
04/17 NY Fed Manufacturing	(Apr)	15.00
04/17 NAHB Housing Market Index	(Apr)	70
04/18 Housing Starts MM	(Mar)	1.264M
04/18 Industrial Production	(Mar)	0.5%
04/19 Beige Book		
04/20 Philadelphia Fed Manufacturing	(Apr)	26.9
04/21 Existing Home Sales	(Mar)	5.55M