ECONOMIC HIGHLIGHTS

U.S. Factory Orders for January were flat, in line with consensus. The Index of Leading Economic Indicators was up 0.2% for February. Finally, Existing Home Sales came in at 5.510mm units, up 11.8% for the month and far exceeding consensus of 5.100mm units. Year-over-year, Existing Home Sales were still down slightly, at -1.8%.

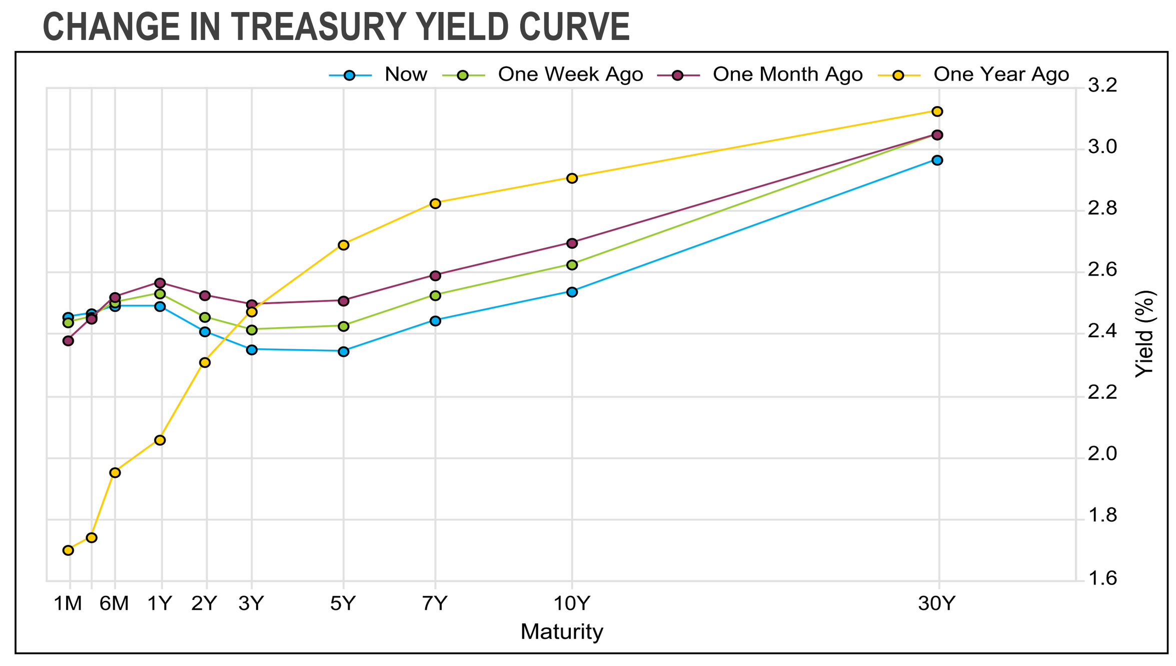
FIXED INCOME

The U.S. posted its biggest monthly budget deficit on record last month, amid a 20% drop in corporate tax revenue and a boost in spending so far this fiscal year. The budget gap widened to $234 billion in February, compared with a fiscal gap of $215.2 billion a year earlier. That gap surpassed the previous monthly record of $231.7 billion set seven years ago, according to data compiled by Bloomberg. February's shortfall helped push the deficit for the first five months of the government's fiscal year to $544.2 billion, up almost 40% from the same period the previous year, the Treasury Department said in its monthly budget report Friday. The release of the report was delayed a week due to the government shutdown earlier this year. Receipts dipped less than 1% to $1.3 trillion in the October to February period from the previous year, while spending accelerated 9% to $1.8 trillion. The fiscal shortfall is widening following President Donald Trump's $1.5 trillion tax-cuts package that's weighing on receipts and raising concern about the national debt load, which topped a record $22 trillion last month. Federal Reserve Chairman Jerome Powell reiterated his concern over the government deficit in a press conference last Wednesday, saying that the nation's growing debt pile needs to be addressed. At the same time, there's a shift among some economists -- led by proponents of Modern Monetary Theory -- on the dangers of a growing deficit, with low inflation and cheap borrowing costs suggesting there's room for additional spending. The budget deficit as a share of gross domestic product is expected to widen to around 5% this year, up from 3.8% a year ago, according to projections from the White House Office of Management and Budget. The shortfall is expected to be 4.9% of GDP in 2020, and further narrow every year through 2024, according to the estimates. The Treasury data show tax receipts declined for both corporations and individuals in the five-month period, while revenue from customs duties almost doubled, boosted by income from tariffs imposed by the Trump administration. Individual income tax receipts dropped slightly from this point last year, but have risen compared to some years before the tax law was implemented. Despite the law cutting tax rates for most people, rising wages and lower unemployment have spurred higher tax revenue.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	2.44%	3 mo	2.49%	3 mo	2.54%	3 mo	1.57%
6 mo	2.46%	6 mo	2.44%	6 mo	2.55%	6 mo	1.58%
1 yr	2.44%	1 yr	2.43%	1 yr	2.59%	1 yr	1.60%
2 yr	2.32%	2 yr	2.39%	2 yr	2.61%	2 yr	1.60%
5 yr	2.24%	5 yr	2.28%	5 yr	2.78%	5 yr	1.75%
10 yr	2.44%	10 yr	2.75%	10 yr	3.25%	10 yr	2.18%
30 yr	2.87%	30 yr		30 yr	3.95%	30 yr	3.03%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	-1.54%	9.97%
S&P 500 (Large Cap)	-1.12%	12.26%
S&P 400 (Mid Cap)	-2.82%	11.93%
Russell 2000 (Small Cap)	-3.70%	11.97%
NASDAQ Composite	-0.92%	15.48%
MSCI EAFE (International)	-1.74%	9.41%
iShares Real Estate	0.98%	15.25%

U.S. equities finished the week lower, in which most of the losses were accrued on Friday. Financials, Energy (crude), and Materials trailed the market, while Technology was the big outperformer. Treasuries gained strength throughout the week, though they fell at week's end. Several segments (10/1 spread) are seen inverting. WTI Crude opened Friday in negative territory, though it ended the week up +.68%. The dollar remains strong against the Euro, though it ended weaker against the Yen and Sterling. Gold finished the week with a gain of .72%.

One of the most notable market movers this week was Nike (NKE) -6.6%. Nike beat their Q3 revenue and EPS expectations; however, the stock was dragged down by a combination of elevated expectations, softer NA performance, and light earnings guidance. Regardless, the Street's takeaway is still largely upbeat. Other notable market movers include Hibbett Sports (HIBB) +20.3%, Papa John's International (PZZA) +6.2%, Best Buy Co., Inc. (BBY) -.40%, Cintas Corporation (CTAS) -6.5%, and Lululemon (LULU) -3.8%. Hibbett saw Q4 earnings, revenue, margins, and comps beat expectations, as well as, traction from strategic initiatives and strong ecommerce growth. Papa John's announced that Shaquille O'Neal is to join the board and invest in nine stores in the Atlanta, GA area. O'Neal is to also serve as brand ambassador. Best Buy was upgraded to "outperform" from "perform" at Oppenheimer. Cintas saw their revenue report come a bit lighter than expected, while Lululemon was downgraded to "neutral" from "outperform" at Wedbush Securities.

On Wednesday, the Fed issued a statement saying that policy-makers foresaw no further interest rate hikes throughout 2019 due to the slowdown in the American economy, and forecasted one hike through 2021. The Fed also mentioned that it would halt the steady decline of its balance sheet in September.

On a global note, Eurozone growth concerns are back in the spotlight after PMI reports fell below expectations. The Eurozone Composite PMI, a measure of the economic health of the manufacturing sector, fell to a two-month low of 51.3 from its prior 52.7. This fall was led by its manufacturing report, which fell to a 71-month low of 46.7. Germany's composite PMI fell to a 69-month low, as well as, the French composite PMI, which fell to 48.7 from 50.4. These were both dragged down by their manufacturing numbers. Investors will continue to watch the Eurozone as growth concerns come into question.

According to a Bloomberg report, President Trump stated that a Chinese trade agreement is "very close." He insisted that trade talks had not been prolonged after saying earlier in the week that he would keep some tariffs on Chinese products. Chinese negotiators have pushed for these tariffs to be lifted immediately. There was a reiterated potential for the Trump-Xi summit in late April, although the South China Morning Post recently stated that it may not happen until June.

After the recent Brexit summit on Thursday, the UK was provided with a short term Brexit extension. They were given until May 22nd to leave the EU, provided Parliament backs her deal in next week's vote. If Parliament does not support May's deal, she has until April 12th to decide on the UK's next steps.

The week ahead seems to be fairly quiet. There are a handful of companies reporting earnings next week. Notable reporters include, but are not limited to, Lululemon, Five Below Inc., Paychex, and Red Hat Inc. Some housing data will be released, as well as, the Case Shiller Index on Tuesday. There will continue to be Fed speakers throughout the week.

The S&P 500 has ended this week lower after breaking through the resistance level of 2820 last week. As stated by Bespoke Investment Group, the index needs a further gain of around 4.5% to get back to the all-time highs seen in September. It isn't uncommon for a security to track back to its old resistance level, which is what the S&P 500 did on Friday. The index fell slightly below its old resistance level of 2820 and closed at 2800.

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.