ECONOMIC HIGHLIGHTS

The Federal Open Market Committee met and increased the Federal Funds Rate by 25 bps, as expected. The range is now 1.50% to 1.75%. The expectation is for two or three more rate increases this year. The Index of Leading Economic Indicators was up 0.6% for February 2018, which is positive for the next several months of economic activity. Durable goods orders were up 3.1% for February 2018, far surpassing consensus expectations of +1.7%. February 2018 New Single-Family Home Sales came in at a 618,000 annualized unit rate, in line with expectations and similar to January.

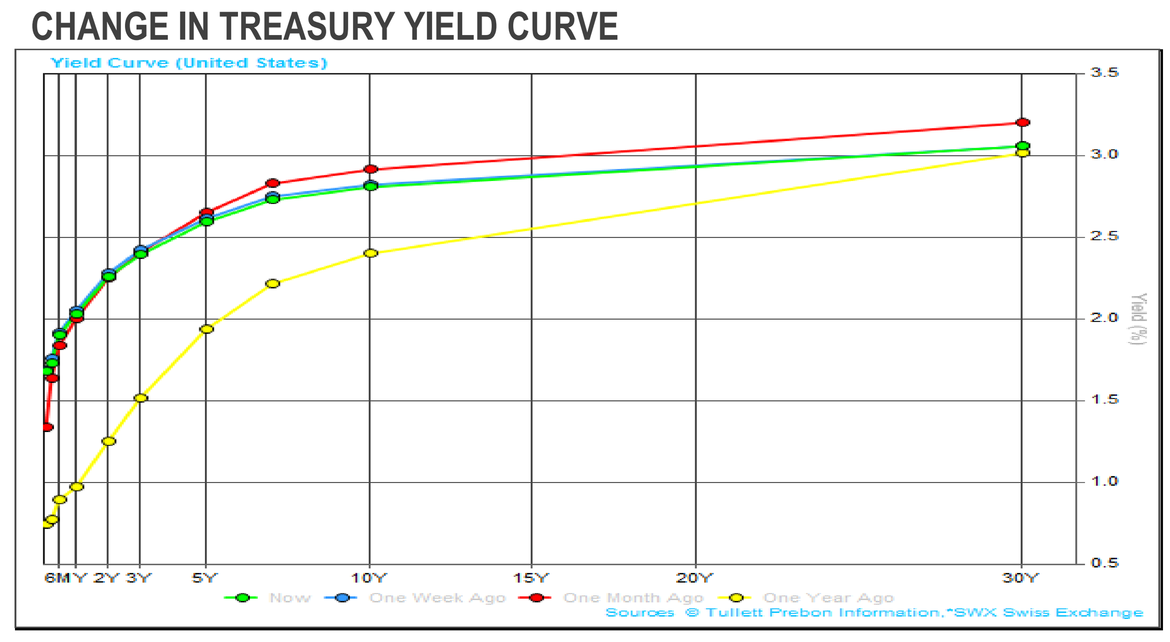
FIXED INCOME

Bond bulls who enjoyed a rare rally in short-term Treasuries last week might not want to get too comfortable: The world's biggest debt market is about to be inundated with an unprecedented wave of issuance. The U.S. Treasury will probably auction about $294 billion of bills and notes this week, its largest slate of supply ever. The $30 billion two-year note sale is the biggest since 2014, and comes as the maturity posted just its fourth weekly gain in the last six months. The three- and six-month bill offerings remain at record sizes. It's a pivotal moment for traders gauging a Treasury market that appears to be range-bound after yields set multi-year highs in recent weeks. Jerome Powell's first meeting as Federal Reserve chairman largely signaled continuity with Janet Yellen's gradual path. That makes the market's reception of swelling U.S. issuance a key to determining whether the bond selloff will resume. "These larger auctions are more difficult to digest," said Thomas Simons, a money-market economist at Jefferies. "But the auctions do OK when they have a concession. It's even more necessary than it was in the past." While there is evidence of weakening demand for U.S. auctions, an analysis of trading data is mixed at best about whether that portends further losses in Treasuries. But the threat of diminished interest and higher yields comes at a precarious time, with budget deficits climbing and the Fed paring its balance sheet. U.S. financing needs are growing partly as a result of the tax overhaul. The Treasury is ramping up sales of shorter-term debt, like the maturities to be issued this week, while longer-dated obligations are growing at a slower pace. The $35 billion of five-year notes and $29 billion of seven-year debt each match the largest offerings of the maturities since January 2016. In contrast to auctions in recent months; however, this week's batch comes as the selloff has stalled. The five-year sale last month yielded 2.658% and the seven-year 2.839%. The yields closed trading last Friday at 2.6% and 2.74%, respectively.

CURRENT GENERIC BONDS YIELDS

TREAURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	1.72%	3 mo	1.79%	3 mo	2.27%	3 mo	1.40%
6 mo	1.91%	6 mo	1.84%	6 mo	2.34%	6 mo	1.46%
1 yr	2.02%	1 yr	1.98%	1 yr	2.43%	1 yr	1.52%
2 yr	2.26%	2 yr	2.24%	2 yr	2.67%	2 yr	1.67%
5 yr	2.60%	5 yr	2.52%	5 yr	3.13%	5 yr	2.09%
10 yr	2.81%	10 yr	3.12%	10 yr	3.67%	10 yr	2.67%
30 yr	3.06%	30 yr		30 yr	4.07%	30 yr	3.63%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	-5.67%	-4.28%
S&P 500 (Large Cap)	-5.78%	-2.65%
S&P 400 (Mid Cap)	-4.84%	-2.78%
Russell 2000 (Small Cap)	-4.61%	-1.23%
NASDAQ Composite	-6.53%	1.55%
MSCI EAFE (International)	-3.55%	-3.34%
iShares Real Estate	-3.79%	-9.16%

The stock market took a beating last Thursday as the Dow dropped 724 points and the S&P 500 closed at 2,643.69, which is the lowest closing in six weeks. Earlier on in the week, the S&P 500 the dropped 1.42% on news that the Trump Administration would be imposing tariffs on Chinese imports to the tune of $60 billion. Officials in China have responded by saying that China does not want a trade war, but stated it is not afraid of one. China said it would impose tariffs on roughly $3 billion of American goods.

The S&P 500 ended trading on Friday at 2,588.26, dropping -5.78%, with all sectors trading lower for the week. A decline in Information Technology and Financials, which were down -7.66% and -6.98%, respectively, led the laggards. Energy names were a bright spot after shares dropped only -0.71% due to a jump in oil prices.

The Nasdaq Composite Index declined by 174.01 points or -2.43% to end the week at 6,992.67.

Nike Inc. (NKE) shares ticked higher after the athletic apparel company posted a beat on sales even though it netted a loss for the third fiscal quarter.

The Dropbox IPO on Friday had the tech company soaring up nearly 40% and settled at 35%. The cloud storage company's initial public offering price was $21 and ended trading at $28.48.

Micron Technology (MU) shares fell over 7% despite the company posting an earnings beat late Friday.

Shares of Kroger (KR) and Target Corp (TGT) shot higher initially on news of a potential merger but trended lower throughout the day.

Market participation or breadth can be interpreted as bullish or bearish. According to Bespoke Investment Group, breadth readings when it comes to the percentage of stocks trading about their 50 and 200 day moving average has been on the weak side lately. Overall, less than half of the stocks in the S&P 500 are above their 50 day moving average. However, 82.6% of constituents in the Technology sector are trading above their respective 50-day moving average and 91.3% of stocks trading above their 200-day moving average. Next strongest sector is financials with 60% of names trading above their 50-day moving average.

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	Neutral
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Favorable
Real Estate	Favorable
Commodities	Unfavorable

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

Cash - Holding as little as possible given the miniscule yields in money market instruments. Any exposure is for defensive positioning.
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 spread products.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened; however, still remain attractive versus Treasuries.
International Bonds - Emerging market bonds offer good diversification qualities while providing higher yield opportunities relative to domestic fixed income.
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 has reemerged as a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure along with a value tilt is preferred. 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. Recent relative performance versus developed markets support the stronger fundamental backdrop and positions have been added.
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. Although, volatility will be higher and commodities will be susceptible to short-term price shocks, if used in conjunction with other asset classes, risk can be reduced substantially to a diversified portfolio. However, used alone is not recommended as the short-term outlook is not favorable.