ECONOMIC HIGHLIGHTS

Durable Goods Orders for February were up 1.7%, approximately in line with consensus. For the year-over-year data, Durable Goods Orders were up a solid 5.0%. Existing U.S. Home Sales were down 3.7% for February, with most of the weakness in the Northeast. Year-over-year, Existing U.S. Home Sales were still up 5.4%.

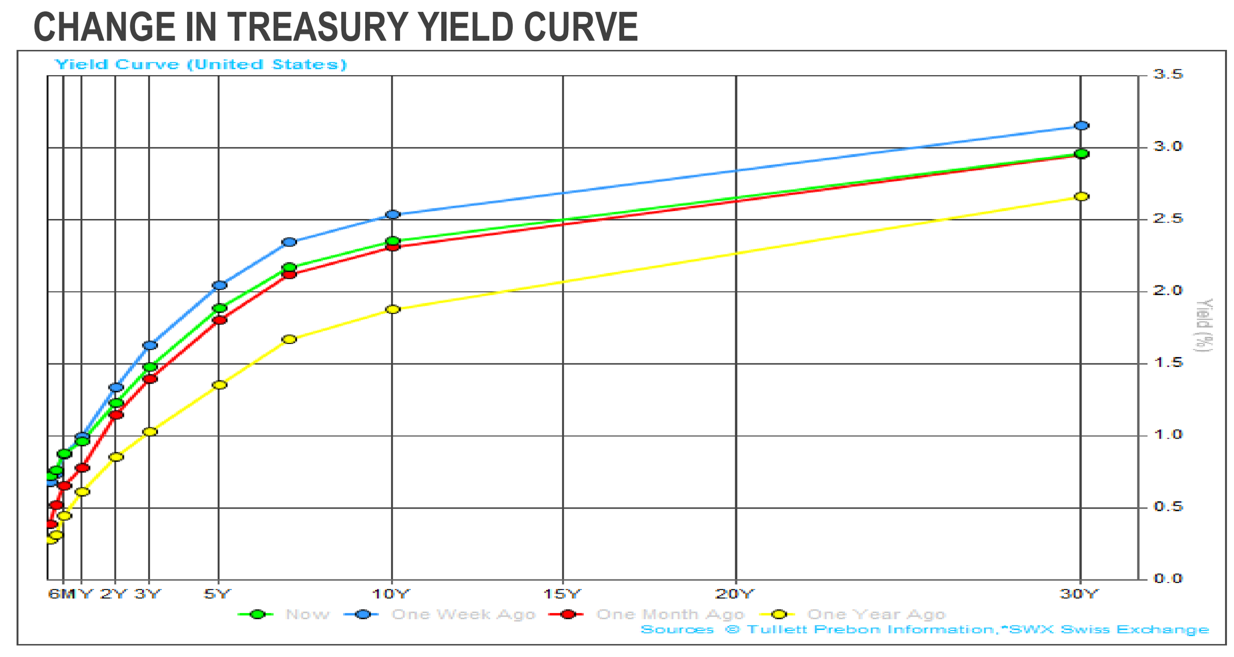
FIXED INCOME

U.S. Treasuries advanced in price last Friday as Republicans scrapped a vote on legislation to repeal and replace Obamacare, casting doubt on the prospects for the administration's fiscal agenda, including tax cuts. The ten-year yield was lower by a couple of basis points to close the trading day in New York at a yield of 2.41%, according to Bloomberg Bond Trader data. The fate of health care reform has been a primary driver of Treasuries over the latter part of the week, with yields rising and falling with the perceived odds the bill would pass. Friday's highs were reached after reports surfaced that Republican leaders had determined the vote, postponed to Friday from Thursday, still didn't have enough support. Yields are lower for the week by seven to eleven basis points. The administration stated late last week that now tax reform will go to the top of the legislative agenda. After the lack of sufficient support among House Republicans forced the President and House Speaker Paul Ryan to cancel a scheduled vote on a bill to repeal and replace Obamacare, both men highlighted the need to focus now on rewriting the U.S. tax code. "So now we're going to go for tax reform, which I've always liked," Trump said last Friday following the decision to cancel the vote. Heath care represented the first big test of Trump's ability to steer ambitious proposals through Congress; yet some experts say he's seemed more interested in tax issues throughout his comparatively brief political career. During a rally last week, Trump repeated a theme from recent speeches, calling for "massive tax reform", though details of the plan he will offer remain unclear.

CURRENT GENERIC BONDS YIELDS

TREAURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	0.75%	3 mo	0.78%	3 mo	1.15%	3 mo	0.72%
6 mo	0.87%	6 mo	0.73%	6 mo	1.25%	6 mo	0.80%
1 yr	0.95%	1 yr	0.98%	1 yr	1.34%	1 yr	0.86%
2 yr	1.25%	2 yr	1.36%	2 yr	1.65%	2 yr	1.08%
5 yr	1.95%	5 yr	1.95%	5 yr	2.43%	5 yr	1.68%
10 yr	2.41%	10 yr	2.92%	10 yr	3.29%	10 yr	2.49%
30 yr	3.01%	30 yr		30 yr	4.18%	30 yr	3.74%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	-1.52%	4.85%
S&P 500 (Large Cap)	-1.42%	5.20%
S&P 400 (Mid Cap)	-2.12%	2.36%
Russell 2000 (Small Cap)	-2.63%	0.08%
NASDAQ Composite	-1.22%	8.56%
MSCI EAFE (International)	-0.14%	7.64%
iShares Real Estate	0.36%	2.01%

The Trump agenda on healthcare faced the harsh realities of the politics in Washington this past week. President Trump suffered a setback when the House Republicans withdrew the American Healthcare Act after failing to secure the required amount of votes to pass the bill. The CBOE Volatility Index spiked 15% this week to 12.96, which is the biggest one week jump this year. The S&P 500 fell 0.1%, to close at 2,343.98, dropping 1.42% for the week—its biggest drop since November. The Dow Jones Industrial Average slid 0.3%, to 20,596.72 for a weekly decline of 1.52%, which is its worst showing since September.

The S&P 500 has risen over 9% since the Trump has become president and has notched new highs on its way. The rally has hit a road bump that has investors worried that this could turn into a larger fall.

Tenet Healthcare (THC) and other healthcare operators ended in positive territory. The potential overhaul of Obamacare raised concerns from healthcare stocks that the benefits the companies gained from coverage expansion would diminish.

Micron Technology (MU) ticked higher 7.4% after the chipmaker's revenue and profit forecasts beat expectations.

GameStop (GME) dropped over 13% after profits and revenue fell below estimates.

The S&P 500 relative strength indicator rose above 80 this past week for the first time in 20 years according to analysts at Morgan Stanley. Despite indicating some near team risks, it also indicates a bullish trend in the long term with the large cap composite typically rising over the next 12 months.

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.