ECONOMIC HIGHLIGHTS

U.S. Industrial Production fell 0.1% in March, the fourth straight weak monthly reading. Auto production was behind most of the weakness in the first quarter of 2019. Overall, Capacity Utilization fell to 78.8% for March, still below the typical 80.0% threshold for potential production cost and price increases. Retail Sales were a bright spot in March, up 1.6% versus +1.0% consensus. Finally, the Index of Leading Indicators was up 0.2% in March, which was also a nice positive forward-looking indicator.

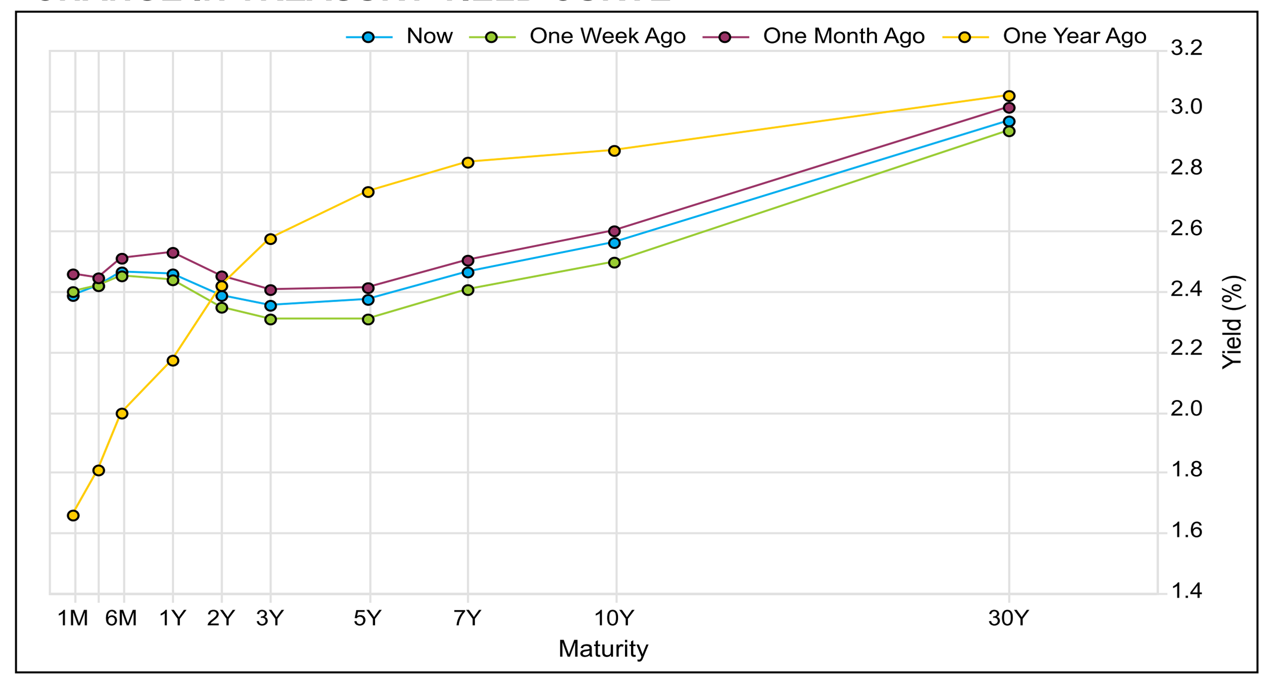
FIXED INCOME

The Federal Reserve's Beige Book was released last week stating the U.S. economy grew at a slight-to-moderate pace in March and early April, though some districts "reported some strengthening." While the latest report was very similar to the previous report, most districts saw stronger home sales and manufacturing conditions were seen as favorable despite some uncertainty about trade. Observations on consumer spending were mixed. The Beige Book survey is based on anecdotal information collected by the 12 regional Fed banks and is published about every six weeks. The current report mentioned employment continued to increase across the country while prices rose modestly since the prior report. The last release of the report was in early March where 10 districts were reporting slight-to-moderate growth. Fed officials have been signaling there are high hurdles to raising interest rates while inflation continues to undershoot their 2% target and risks to the economy abound. Minutes of their March meeting show they grappled with "significant uncertainties" and persistently low inflation as they scrapped forecasts for rate hikes in 2019. Members of the committee have backed away from their December projections for two rate increases this year amid global growth concerns, with Philadelphia Fed President Patrick Harker saying last Wednesday he forecasts one hike in 2019 "at most." Some market participants are calling for a possible rate cut before the end of the year. Fed officials also mentioned that the current outlook may be threatened by risks related to China, Brexit and uncertainty around trade policy. Input cost increases were modest-to-moderate, and "tariffs, freight costs, and rising wages were often cited as key factors driving this trend," according to the report. Some contacts in the Boston district said they continued to fear the impact of tariffs, while some in Philadelphia said "weak global demand and trade uncertainty" weighed on growth in the area. While the economy has cooled, the labor market remains robust with unemployment close to a half-century low and wage gains near the best level of the current expansion. Although wages have risen over the past year, these gains have yet to flow through and fuel any noticeable pickup in inflation measures.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	2.41%	3 mo	2.44%	3 mo	2.58%	3 mo	1.57%
6 mo	2.46%	6 mo	2.41%	6 mo	2.60%	6 mo	1.60%
1 yr	2.44%	1 yr	2.37%	1 yr	2.62%	1 yr	1.62%
2 yr	2.38%	2 yr	2.44%	2 yr	2.63%	2 yr	1.65%
5 yr	2.37%	5 yr	2.40%	5 yr	2.81%	5 yr	1.79%
10 yr	2.56%	10 yr	2.84%	10 yr	3.25%	10 yr	2.10%
30 yr	2.96%	30 yr		30 yr	3.87%	30 yr	2.96%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.70%	14.64%
S&P 500 (Large Cap)	-0.01%	16.59%
S&P 400 (Mid Cap)	-0.43%	18.00%
Russell 2000 (Small Cap)	-0.84%	16.55%
NASDAQ Composite	0.28%	20.90%
MSCI EAFE (International)	0.30%	13.42%
iShares Real Estate	-2.37%	15.09%

U.S. Stocks finished mostly level at the end of the four day trading week. The S&P 500 index fell .02% with Industrials leading the market on the final day of trading. REITs and Tech also outperformed while Healthcare struggled the most. Gold finished down -1.18%, and WTI Crude rose 1.06% for the week.

March retail sales grew 1.6% (est. +1.0%), up from February's 0.2% contraction. Sales ex. autos +1.2% beat +0.7% consensus. Twelve of 13 retail categories beat, with clothing stores and non-store retailers among the biggest gainers. Auto sales rose by the most they've seen in 18 months, and initial claims fell 5K to 192K (est. 205K), the lowest since Sep-17. The IHS Markit showed April's U.S. manufacturing PMI unchanged at 52.4 with output and new orders improving and employment and inventories growing weaker.

U.S. homebuilding dropped to a near two-year low in March, according to an article from Reuters. The sector was bogged down by weakness in the single family unit segment, which could suggest the housing market continued to struggle despite falling mortgage rates. As mentioned in the article, the prolonged weakness in homebuilding is likely the result of land and labor shortages, as well as expensive building materials.

The famous social network Pinterest and computer software company Zoom saw IPOs on Thursday. The two companies showed strong gains, which according to Reuters, could signal strength for the tech IPO market.

The Healthcare sector has had a large selloff in the recent month. As measure by the XLV healthcare fund, the sector is underperforming the S&P 500 by nearly 9% so far in April and almost 17% year-to-date. If this 17 point gap between healthcare and the broader market holds through April, it would be the second time since 2000 an S&P 500 sector has lagged behind by that large of a margin in the first four months.

The past week showed a sizeable increase in Q1 earnings. Notable gainers include United Renters (URI) +8.1%, Blackstone Group +7.5% (BX), and Snap-On +6.5% (SNA), while losers include Sketchers -10.4% (SKX) and Alcoa Corp -3.8% (AA).

The S&P 500 index faced some headwinds preceding the short trading week, which saw a minimal loss of -.02%. The index remains near its highest level of resistance of ~2940. The S&P 500 finished the week at 2905.

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.