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U.S ECONOMY: Mixed Data After Q1

Q1 GDP SLOWS
The initial estimate of Q1 2018 U.S. GDP growth came in at 2.3% versus consensus estimates of 2.0% growth. Low Q1 GDP may have to do with seasonal data quirks, which have been blamed for below average Q1 growth in three out of the past four years. However, despite lower than expected consumer spending, growth is expected to accelerate in Q2 as consumers and businesses see the impact of the recent tax reforms.

RATES ON HOLD…FOR NOW
The Federal Reserve announced that while economic activity has continued to strengthen along with the labor market, it will not raise rates following its most recent meeting. During its March meeting, the FOMC raised rates for the first time in 2018, increasing the federal funds rate by 0.25% to a target range of 1.5% to 1.75%.

SMALL BUSINESS OPTIMISM AT RECORD HIGH
The National Federation of Independent Businesses (NFIB) Small Business Optimism Index hit its highest level over its 45 year history. *"Never in the history of this survey have we seen profit trends so high. The optimism small businesses owners have about the economy is turning into new job creation, increased wages and benefits, and investment."*

HOUSING: OLD VS NEW
Rising interest rates and limited inventories are likely to put further pressure on those seeking to purchase a home. Pending home sales for March showed a smaller-than-expected rise of 0.4%, and the number of signed contracts remained below their year-ago level for the third straight month. However, new home sales surged in March, 8.8% higher than a year ago.

JOB GROWTH REBOUNDS
The economy added 164,000 jobs in April, and the jobless rate fell 0.2% to 3.9%. The payroll gain was less than the consensus estimate, but still represented a solid rebound from March and pointed to strong underlying demand for labor.

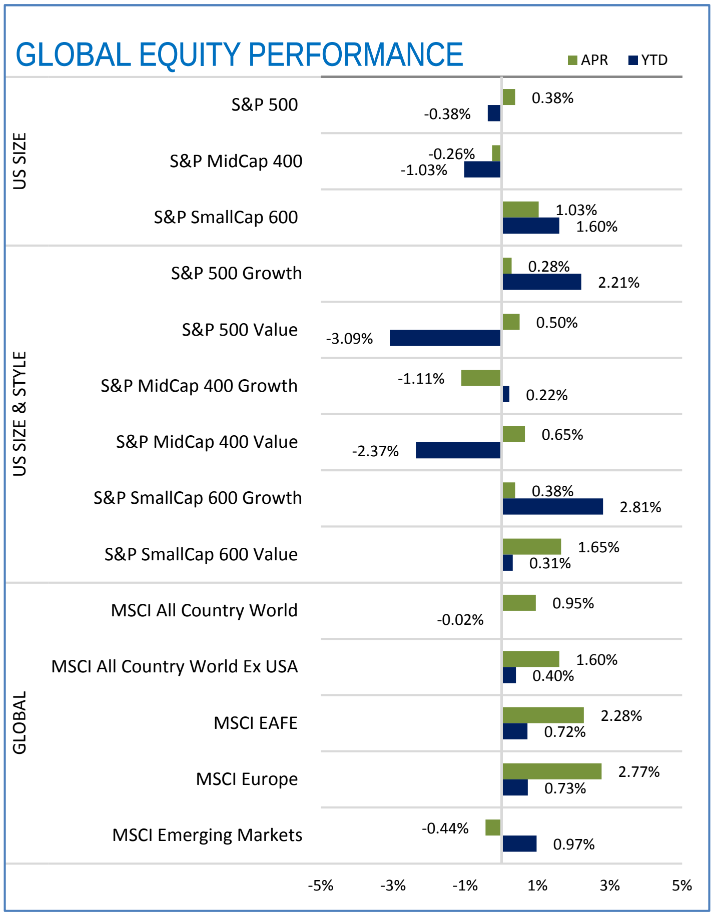
EUROZONE GROWTH ALSO SLOWS
According to a preliminary estimate released by Eurostat, Eurozone GDP increased by 0.4% in Q1 from the previous quarter. This was below Q4 2017's 0.7% rise and marked the slowest growth since Q3 2016, yet was in line with analysts' expectations. Compared with the same quarter of 2017, GDP grew 2.5% in Q1, which was below Q4 2017's 2.8% increase.

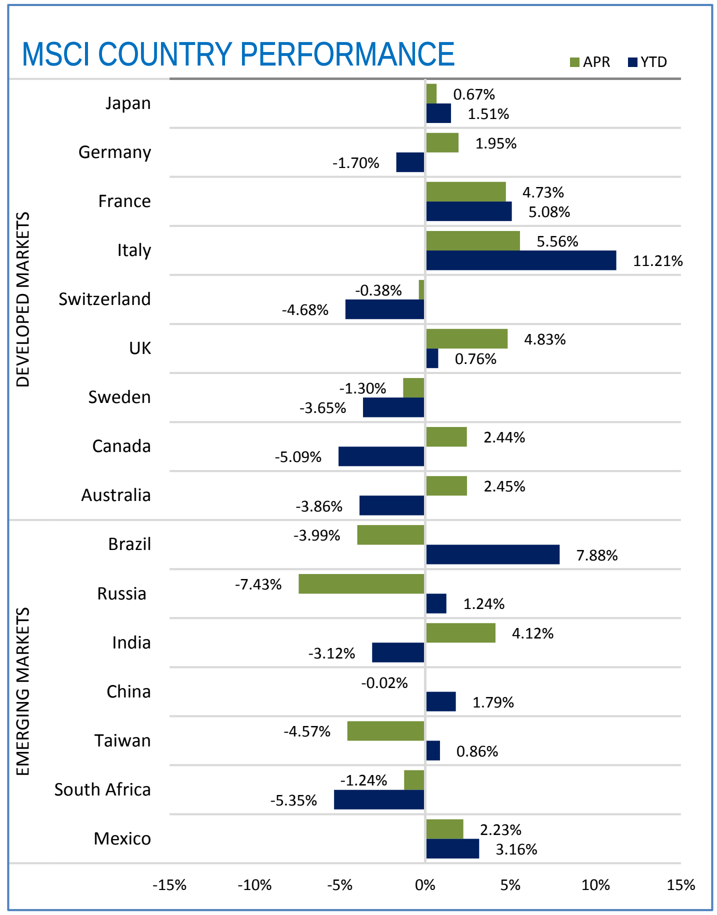
GLOBAL CENTRAL BANK WATCH
The European Central Bank (ECB) decided to leave interest rates unchanged while it kept its purchase of assets at €30 billion per month until at least September. The Bank of Japan (BoJ) kept its own monetary policy measures basically unchanged and is further away than the ECB from any move to start unwinding its expansionary monetary policy. Economic growth in the U.K. disappointed in Q1 as it increased only 0.1%. Before this release consensus expectations were for the Bank of England (BoE) to increase interest rates at its May 10 Monetary Policy Committee meeting, which now seems unlikely.

IMF DATA CONFIRMS STRONG 2017
The International Monetary Fund's (IMF) April 2018 World Economic Outlook report showed that global GDP grew 3.8% in 2017, the strongest pace of growth since 2011. The IMF's report confirms the synchronous global upswing that occurred over the past year, as many economies enjoyed broad-based expansion. Low interest rates likely supported the consumer and business sectors, and price pressures largely remained benign.

BLACK GOLD ON THE RISE
Crude oil prices are on the rise and will likely continue. West Texas Intermediate prices rose above $70/barrel in April, up from $26 in February 2016. According to AAA, the national average gas price is currently $2.85, up from $2.34 a year ago. It remains to be seen what impact this will have on consumers and the global economy.

GLOBAL EQUITIES: US Trails Foreign Equities





Strong U.S. Earnings Season

The U.S. equity market erased its losses for the year and made small gains in April amid signs that trade tensions were easing as attention turned to the corporate earnings season. Following losses in February and March, the S&P 500 gained 0.38% in April. Based on the 65% of market value of the S&P 500 having reported earnings, 78% of the issues beat their estimates, which in many cases had already been revised higher due to lower tax rates. Sales were also strong, posting a 9% year over year gain and only 3.1% shy of a new record. Earnings guidance continue to be strong and estimates continue to increase.

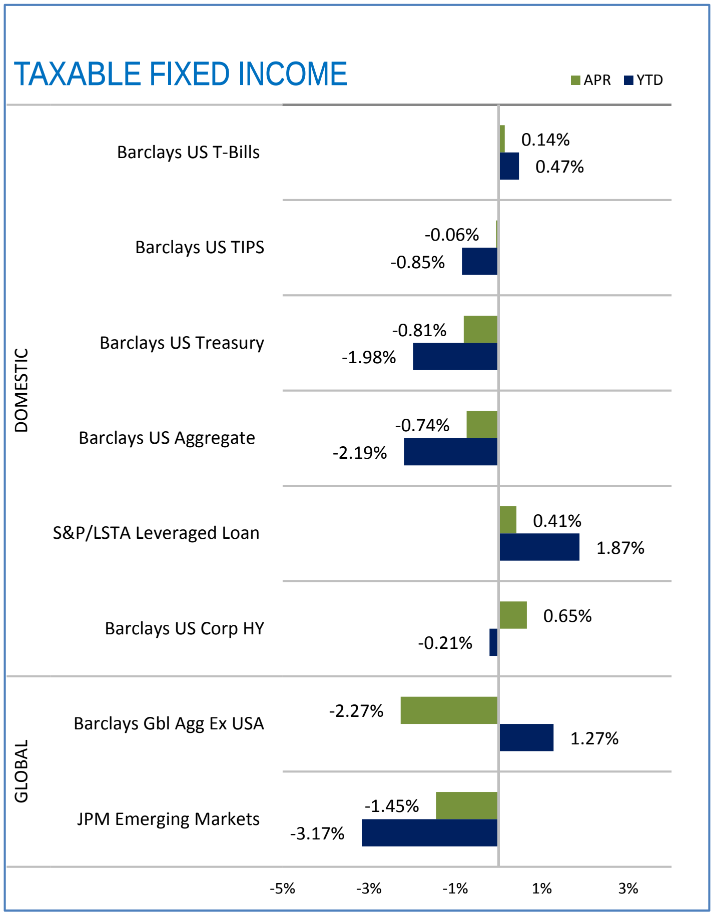
Big Gains For Europe

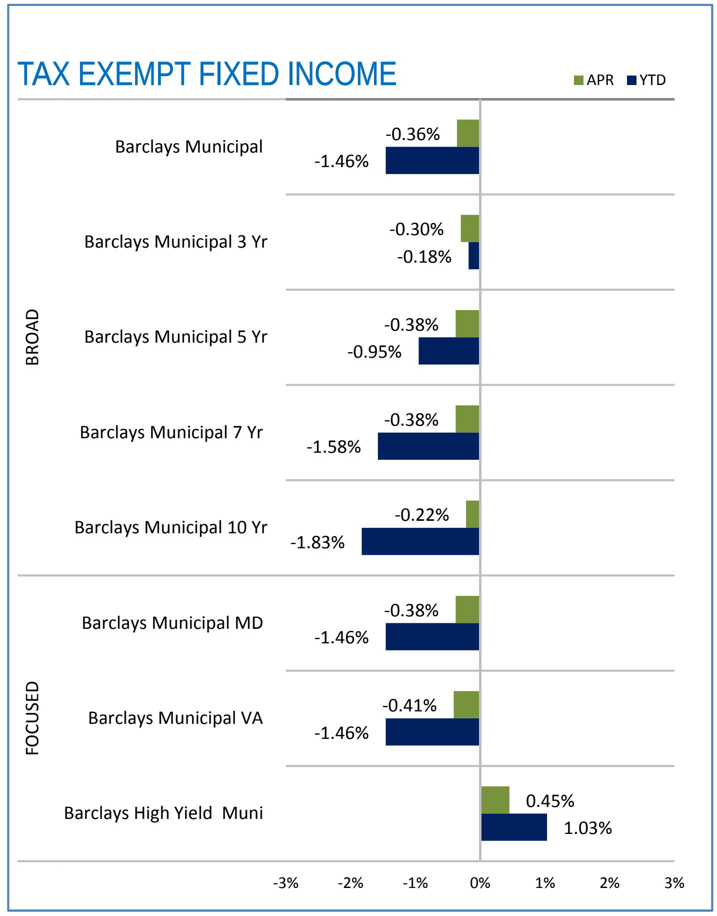
European equity markets rose in April, posting the best monthly returns so far in 2018. The MSCI Europe Index gained 2.77%, on the back of healthy gains in France, Italy, and the U.K. Good corporate earnings data drove European stocks higher. Fading geopolitical risks were also helped by encouraging progress in Korean negotiations, and reduced rhetoric around the U.S.-China trade disputes.

Headwinds Slow EM

Emerging equity markets marginally lost ground during April as the MSCI Emerging Markets Index declined 0.44%. Several factors, including a stronger U.S. dollar, rising Treasury yields and global trade concerns were to blame. Emerging Asia was the best performing region, followed by Latin America, and Emerging Europe. The MSCI Russia Index declined 7.43% due to U.S. sanctions, but is still up 1.24% YTD.

FIXED INCOME: Credit Continues to Outperform





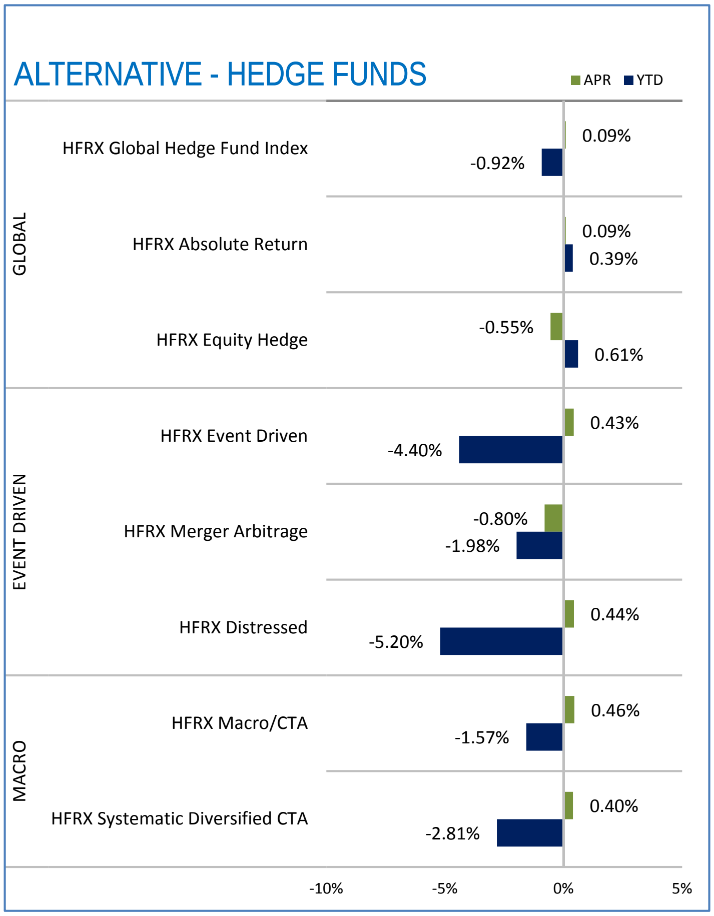
10-YR US TREASURY HITS 3%

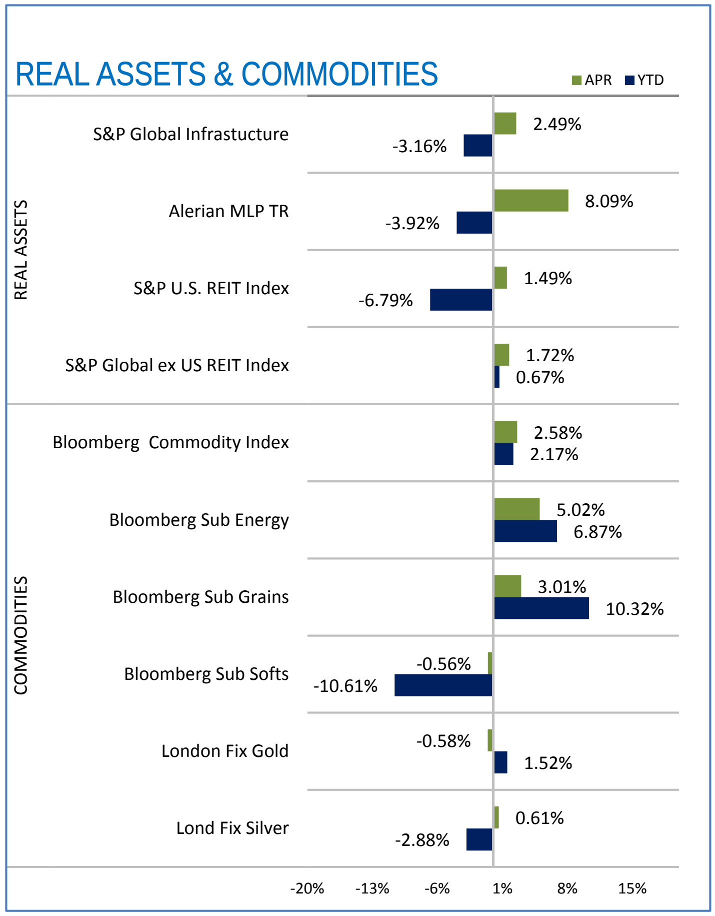
The 10-yr U.S. Treasury yield closed the month slightly higher at 2.93%, after exceeding 3.0% late in the month. This marks the first time since 2014 that it hit the 3.0% level. Rising Treasury yields continued to pressure investment grade bonds, which fell further into negative territory for the year. The Barclays U.S. Aggregate Bond Index declined 0.74% for the month and is down 2.19% YTD. Longer duration issues fell more than shorter duration issues, with lower credit quality issues again outperforming.

RISING YIELDS PRESSURE MUNI MARKET

Despite issuance for new projects being up 11%, total municipal bond issuance is down 23% compared to 2017. This is primarily due to the elimination of advanced refundings by the Tax Cuts and Jobs Act. Nonetheless, flows into long-term and high yield municipal funds were positive as investors continue to be drawn to the relatively attractive valuations of the tax free market and the additional yield available in lower credit quality issues. Rising Treasury yields also pressured the municipal market, as the Barclays Municipal Index fell 0.36% in April. Low supply and solid demand helped the high yield segment gain 0.45%.

ALTERNATIVES: Energy Pushes Commodities Higher





Hedge Fund Assets Continue To Grow

Hedge fund capital increased in the first quarter of the year, rising to a seventh consecutive record as investors reduced equity market exposure in favor of event driven, fixed income arbitrage and relative value strategies. Total hedge fund industry capital globally increased $4.5 billion to a new record of $3.22 trillion, according to the latest HFR Global Hedge Fund Industry Report. Following inflows of nearly $10 billion for 2017, 1Q 2018 net inflows totaled $1.1 billion, with the gain moderated by capital outflows within equity hedge strategies.

Value in Commodities?

With equities continuing to trade at elevated levels and rising interest rates pressuring fixed income sectors, commodities have quietly generated strong relative returns YTD. The Bloomberg Commodity Index gained 2.58% in April and is now up 2.17% YTD. Higher interest rates, rising inflation, and a weaker dollar have all been for commodities. The continued global economic expansion and relative discount from historical prices have also benefitted commodities YTD.