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WEEK IN REVIEW TRADE AND TARIFFS REMAIN THE FOCUS

Review of the week ended April 6, 2018

- **Trade frictions dominate headlines**
- **US adds disappointing 103,000 new jobs in March**
- **More signs pace of global growth moderating**
- **Fed governor says asset prices elevated**

Global equities traded in a choppy fashion this week, pounded by increasingly bellicose rhetoric from US and Chinese officials on trade and tariffs. As of noon on Friday, the yield on the US 10-year Treasury note rose 3 basis points on the week to 2.78% and the price of a barrel of West Texas Intermediate crude oil fell \$2.20 to \$62.30, while volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), declined to 20 from 22.5 last week.

The Dow Jones Industrial Average DJIA, -2.34% fell 572.46 points, or 2.3%, to end at 23,932.76, bringing its weekly decline to 0.7%. All 30 blue-chip companies finished with losses on Friday.

The S&P 500 index SPX, -2.19% dropped 58.37 points, or 2.2%, to finish at 2,604.47, with all 11 main sectors trading in negative territory. More than 95% of S&P 500 stocks closed lower on Friday, according to FactSet. Industrial and

financial stocks led the losses, down 2.7% and 2.4%, respectively. The benchmark index lost 1.4% over the week.

Meanwhile the Nasdaq Composite Index COMP, -2.28% declined 161.44 points, or 2.3%, to close at 6,915.11, leaving it with a 2.1% weekly fall.

Trump may up the ante on China tariffs

After China retaliated in the wake of a fresh round of tariffs imposed on it early this week, US president Donald Trump instructed the US Trade Representative to consider an additional \$100 billion in tariffs on the country's products, though in a statement, the president said the US is still prepared to negotiate with China. Investors hope that the two sides can reach an agreement during the months-long period that it will take for the tariffs to work their way through the US bureaucracy and that the reciprocal levies are merely negotiating tactics. On Tuesday, China's

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president, Xi Jinping, is scheduled to speak at the annual Forum for Asia on the steps China is taking to open domestic markets to foreign competition. Investors will watch the speech closely to see if the country takes a conciliatory or confrontational posture as it navigates an increasingly turbulent trade relationship with the US. Meanwhile, it appears that the United States, Canada and Mexico are close to agreeing on a revamp to the North American Free Trade Agreement. Negotiators hope to announce a preliminary deal ahead of the Summit of the Americas in Peru next week.



US job market grew at slower pace in March

US nonfarm payrolls grew at a fewer-than-expected 103,000 in March while the prior-two-month total was revised lower by 50,000. The unemployment rate held steady at 4.1% as wages grew at an annual

2.7% rate. Unexpectedly harsh winter weather may have contributed to the weaker stride of hiring. Today's report showed a record 90th-straight monthly rise in payrolls.

Evidence builds that global growth is slowing

While the global economy continues to expand, the pace of expansion slowed in March. The J.P. Morgan Global Composite purchasing managers' index slipped to a 16-month low of 53.3, down from 54.8 in February. Despite the March slowdown, the first quarter showed the fastest pace of global growth since the third quarter of 2014. In the US, activity remains solid as the manufacturing PMI slowed to a still-robust 59.3 from 60.8 in February while the nonmanufacturing PMI declined to 58.8 in March from 59.5 a month ago.

Fed governor worries over valuations

US Federal Reserve Board governor Lael Brainard said in a speech this week that valuations in a broad set of markets appear elevated relative to historical norms, even when taking the recent uptick in volatility into account. Asset prices could be particularly vulnerable to any unexpected economic surprises given tight valuations, she said, saying also that despite elevated valuations, overall risks to the financial system appear moderate. Brainard underlined that while US trade policy is a material uncertainty for the economy, there is a need for a gradual tightening of monetary policy.

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New York Fed hires new president

The Federal Reserve Bank of New York announced that it was appointing John Williams, the president of the San Francisco Fed, to replace the retiring William Dudley. The New York Fed president oversees the Fed's trading desk, has a permanent vote on the Federal Open Market Committee and serves as vice chair of that committee. Williams, a monetary economist who advised former Fed Chair Janet Yellen before he replaced her as president of the San Francisco Fed in 2011, will take up the position in mid-June.



THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Apr 9	Japan	Consumer confidence
Tue, Apr 10	China	Xi speaks on opening China's markets
Tue, Apr 10	United States	Producer Price Index, wholesale inventories
Wed, Apr 11	China	Consumer and producer price indices
Wed, Apr 11	United Kingdom	Industrial production
Wed, Apr 11	US	Consumer Price Index
Thu, Apr 12	eurozone	Industrial production
Fri, Apr 13	China	Trade balance
Fri, Apr 13	eurozone	Trade balance

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SAVING FOR COLLEGE

College costs have risen steadily over the past several years, which is why some should consider starting to save early. Whether you plan on paying all the costs or just a fraction, [this calculator](#) can help you better assess the overall price tag of higher education.

I will be glad to show you how I have helped a number of area residents learn how save for college. Call today to schedule your personal appointment date and time.

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