



INCISIVE INVESTOR

Randall Fielder, President & CEO

1400 Broadfield Blvd. Suite 200

Houston, TX 77084 713-955-3555

WEEK IN REVIEW RISK APPETITE RETURNS

Review of the week ended April 20, 2018

- **Syria strike incites no retaliation**
- **Pompeo holds talks with North Korea's Kim**
- **IMF warns of trade tensions but sees more growth**
- **US may limit Chinese tech investment**

As of noon Friday, global equities rose modestly this week, boosted by broad strength in commodities and a strong start to earnings season. Interest rates firmed as well, with the yield on the US 10-year note jumping 11 basis points to 2.93 versus week-ago levels. Oil prices slipped back from three year highs set earlier this week and trade was modestly firmer compared with last Friday, near \$68.25 a barrel. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), slipped to 16.5 from 18 last week.

The Dow Jones Industrial Average DJIA, -0.82% fell 201.95 points, or 0.8%, to 24,462.94 but ended the week 0.4% higher.

The S&P 500 SPX, -0.85% declined 22.99 points, or 0.9%, to 2,670.14 with ten of the 11 main indexes ending with losses. Consumer staples and technology sector were hit the most, falling 1.7% and 1.5%, respectively. The benchmark index still posted 0.4% gain over

the week, however.

The Nasdaq Composite Index COMP, -1.27% dropped 91.93 points to 7,146.13, a decline of 1.3%. Over the week, the tech-heavy index rose 0.5%.

No escalation of tensions after Syria strike

Markets breathed a sigh of relief this week after last weekend's strike by US, British and French forces on Syrian facilities thought to be associated with chemical weapons. The action resulted in no retribution from Russia, which supports the government of Syrian president Bashar al-Assad. The three countries launched a total of 105 cruise missiles at the facilities, which were in the Damascus region.

Groundwork positioned for Trump-Kim summit

The White House confirmed this week that the director of the Central Intelligence Agency,

info@park10financial.com

www.park10financial.com



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Mike Pompeo, met directly with North Korean leader Kim Jong Un in Pyongyang over the Easter weekend. The meeting was held in preparation for the forthcoming summit between Kim and US president Donald Trump, which is anticipated to take place in late May or early June. Pompeo is awaiting a vote on his confirmation as Trump's pick to succeed Secretary of State Rex Tillerson. In the development of the US summit, the leaders of North and South Korea are expected to meet in the hope of laying out an agenda for a peace treaty to replace the resolution that ended the Korean War in 1953. China and the US would have to agree to the treaty. One hopeful sign that negotiations will conclude in the denuclearization of the Korean Peninsula was South Korean president Moon Jae-in's affirmation that North Korea has released its demand that the US must remove its troops from South Korea in exchange for denuclearization.

IMF sees global repeated upturn continuing

The global economy grew 3.8% in 2017, the International Monetary Fund said in its April World Economic Outlook, and is expected to grow at a 3.9% pace this year and next. The fund warned that while near-term upside and downside economic threats are broadly balanced, beyond the next several quarters, the risks will lean to the downside. The IMF cited growing trade tensions and dangers of movement toward protective policies, tightening financial conditions and geopolitical tensions as potential downside risks.

US considering restricting China's tech investments

The US Department of the Treasury is considering applying a little-used law known as the International Emergency Economic Powers Act to possibly block transactions and seize assets if President Trump declares China's violation of US intellectual property rights a national emergency. Beijing is not taking the threat lying down, discharging any move as driven by protectionism, not national security.

Oil assembly induces Trump's wrath

Oil prices reached three-year highs this week following a fall in US inventories and comments from Saudi Arabia targeting a price range between \$80 and \$100 a barrel. The price surge has not gone unnoticed by financial markets or the White House. President Trump criticized OPEC on Friday morning, saying that it is objectionable that crude prices are being kept artificially high.

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Earnings News

With 17% of the voters of the S&P 500 Index having reported, Q1 earnings season is off to a very strong start. The blended earnings growth rate, which combines the companies that have reported results with estimates for those that have not yet reported, stands at 18.2% on revenue growth of 7.3%.

Major Company Moves

GE GE, +3.93% shares rose 3.9% after it reported adjusted earnings that beat Wall Street forecasts, and reaffirmed its guidance. Despite the gain, the industrial conglomerate remains the worst performing Dow component over the past year, a period over which it has shed about 50% of its value.

Baker Hughes BHGE, +0.83% reported adjusted earnings that topped expectations, but revenue that was slightly under forecasts. The stock rose 0.9%.

Apple Inc. AAPL, +0.11% tumbled 4.1% after a pair of analysts issued cautious notes ahead of the company's second-quarter earnings report, due out in early May. The stock was

one of the biggest drags on the overall market.

Honeywell International Inc. HON, +1.65% rose 1.6% after reporting its first-quarter results and raising its outlook.

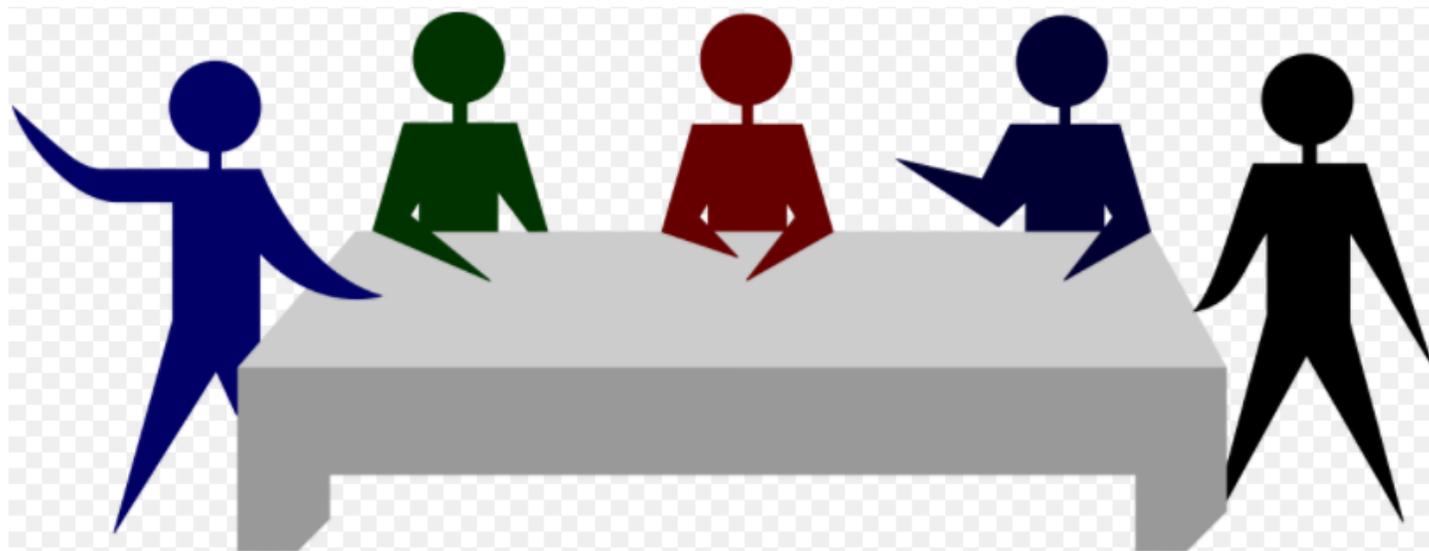
Schlumberger Ltd. SLB, -1.49% fell 1.5%. The oil giant topped earnings estimates, but said it expects the sector to see supply challenges this year.

Atlassian Corp. PLC TEAM, -6.53% shares fell 6.5% after the software maker reported earnings late Thursday.

State Street Corp. STT, -4.34% STT, -4.34% fell 4.3% despite better-than-expected earnings and revenue.

Twitter Inc. TWTR, +0.28% shares rose 1.2% after MKM Partners lifted shares to buy from neutral.

Pivotal Software Inc. PVTL, +4.87% rose 4.9% in its trading debut, after its initial public offering was priced at \$15 a share. The cloud-software company is majority controlled by Dell Technologies Inc. and VMware Inc. VMW, +0.34%.





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THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Apr 23	global	Flash purchasing managers' indices
Mon, Apr 23	United States	Existing home sales
Thu, Apr 26	<u>eurozone</u>	European Central Bank meeting
Thu, Apr 26	US	Durable goods orders, wholesale inventories
Fri, Apr 27	Japan	Consumer price index, retail sales, industrial production
Fri, Apr 27	Japan	Bank of Japan meeting
Fri, Apr 27	United Kingdom	Gross domestic product
Fri, Apr 27	<u>eurozone</u>	Economic sentiment index
Fri, Apr 27	US	Q1 GDP



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-Randall Fielder
(713-955-3555, randall@park10financial.com)