

Autonomy vs. Autocracy

Weekly Review

Most equity and fixed-income markets enjoyed a positive week, grinding higher by roughly 0.5% on average. The S&P finished the week higher by 0.4%, and now stands up 15.9% YTD. The NASDAQ was up about 0.7% for the week and is higher by almost 20% YTD. Bonds embraced a relief rally commensurate with risk-off sentiment mid-week, but continue to be led by HY, which was up 0.5% for the week and now stands up 8.4% YTD. Mid-Cap styles led for the week, with Growth higher by 1.3% and Core up about 0.8%. Large-Cap Value continues to lag, up only 20bps this week and higher by only 12% YTD (still a full-year's performance in our opinion). Sector leadership was diverse, with Consumer Services higher by 1.6% for the week, alongside Energy and Technology, higher by 1.4% and 1.1%, respectively. The S&P is currently trading at roughly 16.7x NTM (next 12 month) earnings, compared to a historical average of 15.3x since '01 and 16.4x dating back through '97. As we are about to begin 1Q19 earnings season, we are watchful of forward guidance over 1Q19 results, but still expect lackluster earnings growth. The yield curve steepened modestly for the week, while credit-spreads tightened somewhat, as the 10yr ended the week relatively unchanged at 2.5%. Oil (WTI) was higher by 2.4% and Brent was up by over 2.0%. Gold was relatively unchanged at \$1,296 and the US\$ lost a little ground, down 0.5% at \$96.84.

A Slippery Slope We Dare Not Take

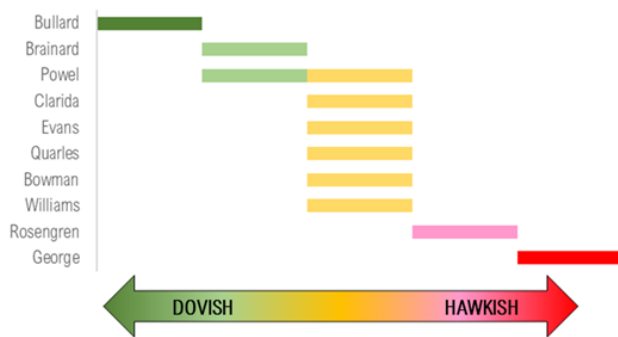
Taking a break from our weekly rant regarding market valuations, we'd thought we share our views on how one of the more contentious geopolitical headlines may shape client portfolios going forward. That being the potential nominations Stephen Moore or Herman Cain to the Federal Reserve Board. **Simply put, we believe this is a bad idea.**

The Federal Reserve was formed in 1913, as part of the Federal Reserve Act, in response to The Panic of 1907. At the heart of the Federal Reserve, are seven Board of Governors in D.C. and a network of 12 Federal Reserve Banks located across

the country. The Federal Open Market Committee (FOMC) is the Fed's monetary policymaking body. The FOMC has 12 voting members when fully staffed, including the seven Board of Governors (currently 2 vacant positions), and a rotating group of five Reserve Bank presidents. **Board members are appointed by the President and confirmed by the Senate, serving staggered 14-year terms that expire in every even-numbered year.** The President also designates a chairman and vice chairman of the Board, each of whom serve four-year terms. These appointments are subject to Senate approval and may be renewed. Enough history. The point being is that the very foundation of the Federal Reserve and the FOMC was built on apolitical diversity, with the sole intent of putting the interests of the country and its financial/banking system ahead of all others. **And while we too have questioned the motives of the Fed in recent weeks, we hold that the nominations of Moore/Cain simply have too many political flash-points (real or otherwise), which we believe global capital markets will not embrace.** Case in point is Turkey, which (to this day) is still reeling from the capital market fall-out stemming from President Erdogan's manipulation of his country's banking system and currency markets. The US Dollar is the reserve currency of the world, and our FOMC – even with its warts – is viewed as the cornerstone of the global monetary system. If investors begin to question the independence of the Fed, then we have bigger problems than an overvalued S&P 500. **We'd love to hear your thoughts.**

Exhibit 1: Current Voting Members Tilt Dovish

Federal Reserve: Doves vs. Hawks



Source: NEPCG

Domestic Indices	1Week
1 S&P MidCap 400	0.8%
2 Russell 2000 TR	0.8%
3 NASDAQ Composite PR	0.7%
4 ICE BofAML US High Yield TR	0.5%
5 S&P 500 TR	0.4%
6 BBgBarc US MBS TR	0.2%
7 BBgBarc US Agg Bond TR	0.2%
8 NYSE Composite PR	0.1%
9 BBgBarc Municipal TR USD	0.1%
10 US Inter Gov Bd TR Bond	0.1%
11 BBgBarc US Government TR	0.0%
12 DJ Industrial Average TR	-0.90%

Style Stratification	1Week
1 US Mid Growth	1.3%
2 US Mid Cap	0.9%
3 US Mid Core	0.8%
4 US Mid Val	0.6%
5 US Growth	0.6%
6 US Core	0.5%
7 US Large Core	0.5%
8 US Market	0.5%
9 US Large Growth	0.4%
10 US Large Cap	0.3%
11 US Large Val	0.2%

Sector Stratification	1Week
1 US Commun Svc Capped	1.6%
2 US Energy Capped	1.4%
3 US Technology	1.1%
4 US Consumr Dfnsve	1.0%
5 US Consumr Cyclcl	0.9%
6 US Snstvs Sup Sec	0.8%
7 US Utilities	0.7%
8 US Cyclcl Sup Sec	0.5%
9 US Financial Services	0.4%
10 US Real Estate	0.2%
11 US Dfnsve Sup Sec	-0.1%
12 US Basic Materials	-0.3%
13 US Industrials	-0.4%
14 US Healthcare	-0.8%

Bond Indices	1Week
1 US Lng Corp Bd TR Bond	0.7%
2 ICE BofAML US High Yield TR	0.5%
3 US Corp Bd TR Bond	0.4%
4 US Lng Core Bd TR Bond	0.3%
5 US Inter Corp Bd TR Bond	0.3%
6 US TIPS TR	0.3%
7 US Core Bd TR Bond	0.2%
8 Mortgage TR Bond	0.2%
9 US Inter Core Bd TR Bond	0.2%
10 BBgBarc Municipal TR USD	0.1%
11 US Inter Gov Bd TR Bond	0.1%
12 US Shrt Gov Bd TR Bond	0.0%
13 US Gov Bd TR Bond	0.0%
14 US Lng Gov Bd TR Bond	-0.1%

International Markets	1Week
1 MSCI EM PR USD	0.6%
2 MSCI EM PR LCL	0.4%
3 MSCI Europe NR USD	0.4%
4 Euronext Paris CAC 40 NR EUR	0.4%
5 MSCI EM Latin America PR USD	0.4%
6 FTSE 100 TR GBP	0.3%
7 MSCI World ex USA NR USD	0.1%
8 MSCI Europe PR LCL	0.1%
9 Nikkei 225 Average PR JPY	-0.1%
10 MSCI World Ex USA PR LCL	-0.1%
11 FSE DAX TR EUR	-0.4%
12 MSCI Pacific NR USD	-0.6%
13 MSCI Pacific PR LCL	-0.7%
14 MSCI Japan PR LCL	-0.7%

Source: Morningstar.com

Weekly Capital Market Comments

April 12, 2019

Exhibit 2: Markets at A Glance (04/12/2019)

Index	Last	5DΔ	Government Bonds	Yield	Spread	Currencies	Last	5DΔ	
S&P 500 (TR)	\$ 2,888	0.4%	US 10Yr	2.50%	--	EUR/USD	\$ 1.13	0.87%	
NASDAQ	\$ 7,947	0.7%	German 10Yr	-0.02%	-2.51%	USD/JPY	\$ 111.90	0.30%	
Russell 1000	\$ 1,601	0.4%	UK 10Yr	1.14%	-1.36%	GBP/USD	\$ 1.31	(0.05%)	
DJ Industrials	\$ 26,143	(0.9%)	Japan 10Yr	-0.06%	-2.56%	US\$ Spot	\$ 96.84	(0.48%)	
Russell 2000 (TR)	\$ 7,902	0.8%	US 2-Year	2.35%	-0.15%	Futures		Last	5DΔ
S&P Global 1200	\$ 2,395	0.3%	Credit Bonds		Yield	Spread	Brent	\$ 70.83	2.06%
Euro STOXX	\$ 379	0.3%	Baa	4.02%	1.52%	WTI	\$ 63.61	2.40%	
Japan Nikkei 225	\$ 21,871	0.7%	Ba to B	5.76%	3.26%	Gold	\$ 1,296	0.12%	
Germany DAX (TR)	\$ 12,011	0.2%	High Yield	6.59%	4.09%	Silver	\$ 14.98	(0.72%)	

Source: NEPCG and FactSet. Charts are for illustrative purposes and are not intended to suggest a particular course of action or represent the performance of any particular financial product or security. Past performance is not a guarantee of future results.

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