Weekly
VANTAGE POINT

April 11-15, 2016 Recap

Stocks Rise to Four-Month High

April 18, 2016 — U.S. stocks slipped lower on Friday, but this did little to reduce strong gains for the week. Equities rallied as the first quarter earnings season moved into high gear, with investors relieved that banks reduced expenses enough to beat analysts' diminished earnings estimates. The S&P 500 ended the week just off its highest level in four months, while the Dow Jones Industrial Average added over 320 points for its best week since March 18th. In what may likely be among the worst earnings season in seven years, banks stocks – hurt by energy exposure and low interest rates – were expected to disappoint the most. Yet three major banks, while reporting reduced year-over-year results, posted better-than-expected top and bottom line results. Their share gains sparked a broader rally, particularly among financials, which gained 4% for the week, their best period performance since March 4th.

Among key domestic economic data last week, Labor Department officials reported an increase in import prices in March, as oil prices rebounded amid a falling US dollar, while retail sales unexpectedly declined last month. On the bright side, February retail sales were upwardly revised to an unchanged level from a previously reported decline. Another positive, weekly jobless claims fell to match the lowest level since 1973. Wrapping up the week, the New York Fed's Empire State manufacturing survey topped expectations in April, rising the most in over a year, while the Federal Reserve said industrial production slumped for a second month.

For the week, the S&P 500 gained 1.65%, the Dow Industrials advanced 1.82% and the NASDAQ Composite rallied 1.81%. Eight of the ten major sector groups posted gains last week, with Financials (+3.98%), Materials (+3.14%) and Industrials (+2.07%) up the most. Consumer Staples (-0.69%) and Telecom (-0.52%) lagged. Oil prices rose 1.61% last week, even as crude fell 2.75% on Friday, ahead of the Doha, Qatar oil producers' meeting on Sunday to discuss a production freeze. The US Dollar Index ended at 94.696 on Friday, up 0.49% on the week, while the Bloomberg Commodities Index gained 1.73%. Treasuries prices fell over the week as equities gained, lifting the yield on 10-year Treasury notes by 3.5 basis points to end at 1.753%.

What We're Reading

Doha Oil Freeze Talks Falter; Saudi-Iran Feud Fuels Oil Pullback ↗

First Quarter Earnings Outlook; Cost Cutting Not Sustainable ↗

Japan Suffers Another Major Earthquake; Yen Surges ↗

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Week's Economic Calendar

Monday, April 18: Housing Market Index;

Tuesday, April 19: Housing Starts;

Wednesday, April 20: Existing Home Sales, MBA Mortgage Applications Activity;

Thursday, April 21: Jobless Claims, Philly Fed Business Outlook, Chicago Fed National Index, Leading Indicators;

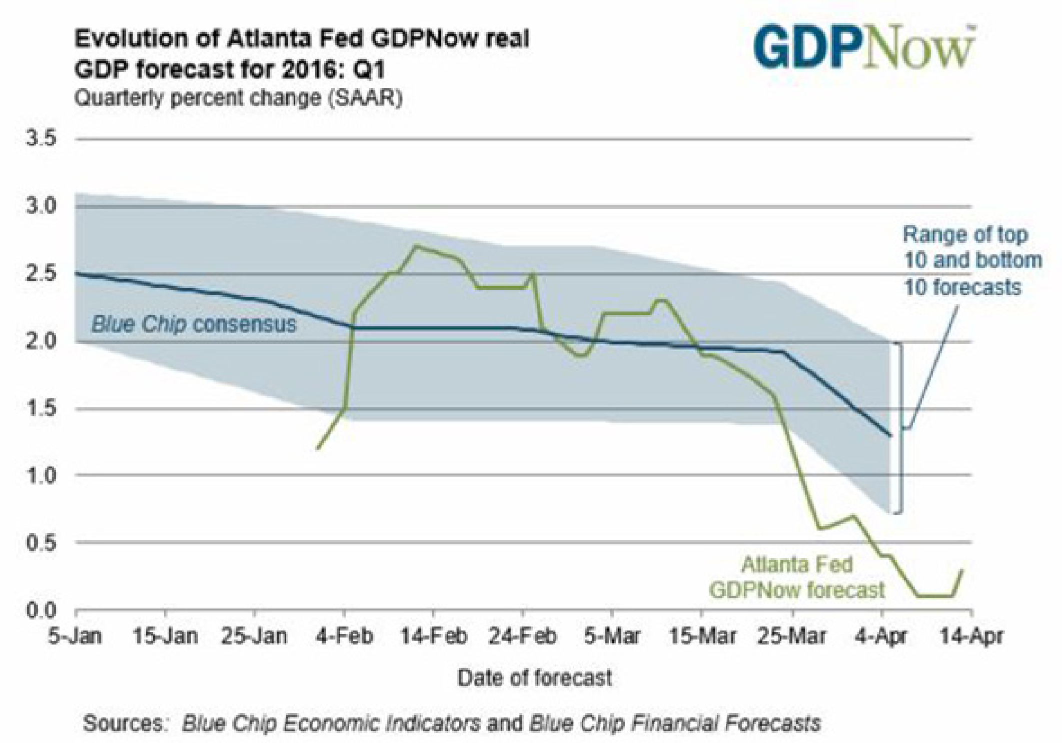
Friday, April 22: Markit Economics PMI Manufacturing Index

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	1.82%	1.20%	11.94%	2.71%	-1.19%	7.02%
S&P 500	1.65%	1.11%	11.30%	2.47%	0.95%	12.60%
NASDAQ Composite	1.81%	1.44%	10.39%	-1.03%	-0.25%	16.78%
Russell 3000	1.83%	1.21%	11.63%	2.19%	-0.97%	12.15%
MSCI EAFE	3.58%	2.02%	8.49%	-1.05%	-9.19%	2.31%
MSCI Emerging Markets	3.68%	1.26%	19.85%	7.05%	-16.30%	-3.15%
Bonds	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Barclays Agg Bond	0.08%	0.41%	2.46%	3.46%	2.06%	2.35%
Barclays Municipal	0.05%	0.65%	1.38%	2.34%	4.53%	3.61%
Barclays US Corp High Yield	1.55%	2.00%	8.50%	5.42%	-2.86%	2.30%
Commodities	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Bloomberg Commodity	1.73%	2.00%	9.48%	2.42%	-20.61%	-14.73%
S&P GSCI Crude Oil	3.68%	8.79%	37.25%	12.61%	-27.65%	-22.33%
S&P GSCI Gold	-0.74%	-0.08%	13.18%	16.45%	2.77%	-3.20%

Source: Morningstar

Chart of the Week: Further Insights on 1Q GDP Outlook; Prospects Brighten



As the chart above shows, prospects for an exceptionally weak first quarter 2016 GDP brightened somewhat over the past week. The Federal Reserve Bank of Atlanta's GDPNow now-casting model forecast for real GDP growth (seasonally-adjusted annual rate) rose for the first quarter to 0.3% on April 13th from 0.1% on April 8. This increase was due to last Wednesday's retail sales report from the U.S. Census Bureau, as the forecast for real consumer spending growth increased from 1.6% to 1.8%.

And while that's an improvement, the Commerce Department's initial estimate of first quarter GDP due out on April 28th may still disappoint and may even show a quarter-to-quarter decline in real output. Since the April 13th GDPNow release of the above chart, the consensus forecast among economists has actually declined to 0.7%, according to a Bloomberg survey. Part of the problem, according to JPMorgan, will likely be slower inventory accumulation, as stockpiling falls from $78 billion annualized in 4Q to roughly $50 billion in 1Q. While such an inventory correction would reduce real GDP growth by 0.6% in 1Q, growth in subsequent quarters will depend on the additional adjustments required to return inventories to desired levels. Ultimately, the expected 1Q dip, while unnerving, shouldn't indicate further weakness for the rest of the year, which should help boost risk assets.

This report is created by Tower Square Investment Management LLC

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Glossary

The ***Barclays U.S. Aggregate Bond Index*** *is an unmanaged index composed of Barclays Credit government bond index, mortgage backed securities index, and asset backed securities index and is generally representative of the US Bond market.*

The ***Barclays U.S. Corporate High Yield Index*** *measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.*

The ***Barclays U.S. Municipal Bond Index*** *is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.*

The ***Bloomberg Commodity Index*** *is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).*

The ***CBOE Volatility Index® (VIX®)*** *is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility.*

The ***CRB Index*** *is a pricing index that measures changes in the price of 22 commodities that are believed to be among the first to react to changes in economic conditions.*

The ***Dow Jones Industrial Average*** *is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

The ***Hang Seng Index*** *is a market capitalization weighted index of the stocks of the 33 largest companies in the Hong Kong market. The Hang Seng Index is a price weighted/share price index which measures movements in the prices of shares, but not of their dividends.*

The ***MSCI EAFE Index*** *(Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.*

MSCI Emerging Markets *is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.*

The ***NASDAQ Composite Index*** *includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.*

The ***Producer Price Index*** *is a family of indexes that measures the average change over time in the selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. This contrasts with other measures, such as the Consumer Price Index (CPI), that measure price change from the purchaser's perspective.*

The ***Russell 1000 Index*** *comprises the 1,000 largest companies in the U.S. equity market, and is a subset of the Russell 3000 Index. The Russell 1000 is a market capitalization-weighted index, meaning that the largest companies constitute the largest percentages in the index, affecting performance more than the smallest index members. The inception date for the Russell 1000 and 3000 indices was January 1, 1984.*

The ***Russell 3000 Index*** *measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.*

The ***S&P 500*** *is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.*

*The **S&P GSCI Crude Oil** Index is a sub-index of the S&P GSCI and provides investors with a publicly available benchmark for investment performance in the crude oil market.*

*The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.*

*The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.*

*The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.*

***West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.*