



Index	Close	Return	
		Week	YTD
Dow Jones Industrial Average	26,412	0.0%	13.2%
S&P 500 Index	2,907	0.5%	16.0%
NASDAQ	7,984	0.6%	20.3%
Russell 2000 Index	1,585	0.1%	17.5%
MSCI EAFE Index	1,910	-0.1%	11.0%
10-yr Treasury Yield	2.56%	0.06%	-0.12%
Oil (\$/bbl)	\$63.82	1.2%	40.5%
Bonds*	\$108.27	-0.1%	2.4%

Source: Bloomberg, 04/12/19

\*Bonds represented by the iShares U.S. Aggregate Bond ETF

### Last Week:

#### U.S. Equity Markets

- US large cap equities (S&P 500 Index) rose 0.5% as Federal Reserve (Fed) minutes supported the ongoing “patient” narrative with respect to future interest rate decisions, Chinese March data (exports & bank lending) was positive, Brexit was delayed again (“surprise, surprise”), and initial reports for US bank earnings were ahead of lowered expectations. However, the International Monetary Fund lowered its global growth forecast to 3.3% from 3.5%
  - Financials (+2.1%) outperformed as banks took advantage of the rate backup and beat lowered earnings expectations, including JPMorgan (+5.6%) & PNC (+3.7%)
  - Communication services (+1.6%) outperformed as Disney (+13.1%) announced a \$6.99/month streaming service to launch in November
  - Information technology (+1.2%) outperformed with strength in semiconductors
  - Consumer staples (+1.0%) outperformed with strength in select food companies
  - Consumer discretionary (+0.6%) outperformed as auto strength offset a lackluster retail group
  - Materials (+0.5%) matched the S&P index as industrial metals fell, particularly steel
  - Industrials (+0.3%) underperformed led by Boeing (-3.1%) and GE (-10.1%)
  - REITs (+0.3%) underperformed, but remain a strong sector in 2019
  - Utilities (+0.2%) underperformed as interest rates rose – the yield curve is no longer inverted
  - Energy (-0.2%) underperformed despite the price of oil rising 1.2% this week. Chevron (-5.3%) announced an acquisition of Anadarko for \$33B in cash and stock
  - Healthcare (-2.4%) underperformed as managed care names sold off on regulatory worries such as Medicare for All and point-of-sale rebates
  - The S&P closed the week within 0.8% of its all-time high
  - The index has risen in 11 of the past 12 sessions, its best streak since September 2013
  - Trading volume on each of last Monday, Tuesday, and Wednesday were the lowest of the year



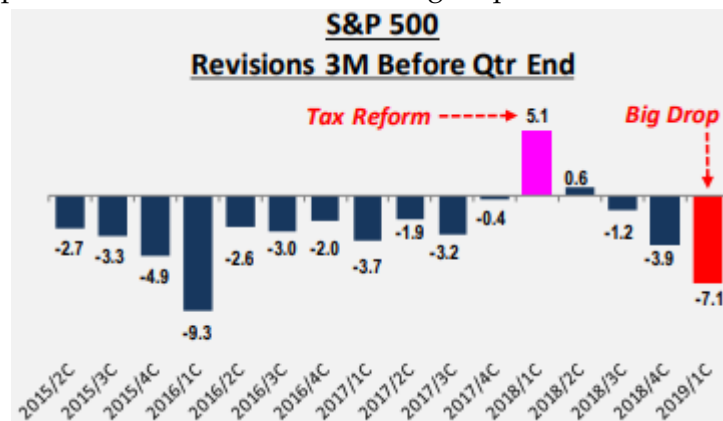
- The VIX volatility index fell to 12, its lowest level since October 5
- Small-cap equities underperformed U.S. large caps, but the Russell 2000 Index remains 1.5% ahead S&P 500 index in 2019
- The technology-heavy Nasdaq Composite Index (+0.6%) slightly outperformed the S&P 500
- U.S. stocks are experiencing their fifth-best start to a year ever, and their best since 1987. Similarly strong starts to a year have tended to be followed by positive returns through the end of the year, although 1987 and 1930 were significant exceptions

**S&P 500 Up 10%+ YTD Through 67 Trading Days**

Date	YTD % Chg at 67 Days	Rest of Year % Chg	Full Year % Chg
4/7/1987	22.51	-16.72	2.03
4/7/1930	19.35	-40.08	-28.48
4/8/1943	18.73	0.60	19.45
4/8/1975	18.13	11.36	31.55
4/8/2019	15.51	?	?
4/6/1936	15.49	10.77	27.92
4/8/1991	14.67	10.15	26.31
4/6/1976	14.60	3.97	19.15
4/8/1998	13.52	11.58	26.67
4/7/1961	13.51	8.47	23.13
4/7/1967	11.24	7.96	20.09
4/7/1971	10.67	0.11	10.79
4/8/1986	10.53	3.70	14.62
4/6/1995	10.19	21.71	34.11
Average		2.58	17.49
Median		7.96	20.09
% Positive		84.6%	92.3%
Avg. All Other Yrs		5.69	5.77
Median All Other Yrs		6.41	8.07
% Positive		67.9%	61.5%

Source: Bespoke

- S&P 500 Index companies have lowered their earnings expectations for the first quarter



Source: Wolfe Research

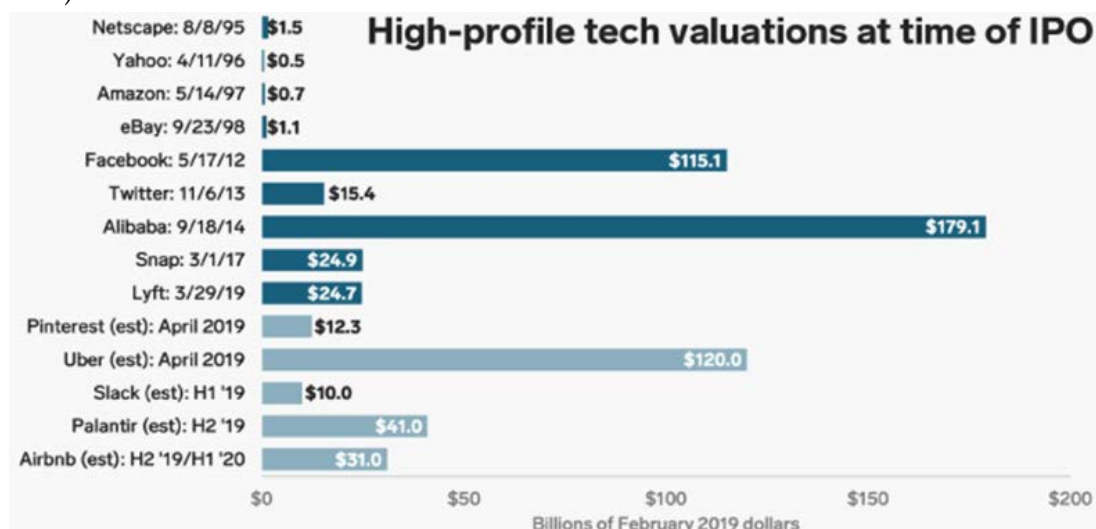
- Earnings season kicks off in earnest this week and continues for the next several weeks. Is it bad news that an “earnings recession” appears at hand, or is it good news that expectations are set this low?



Index/sector	Blended Q1 EPS % growth estimate (decline) as of April 11	Blended Q1 EPS % growth estimate (decline) as of Dec. 31	Blended Q2 EPS % growth estimate (decline) as of April 11
S&P 500	(4.6)	3.4	(0.3)
Communication services	(1.6)	2.3	3.0
Consumer discretionary	(6.1)	(0.7)	2.4
Consumer staples	(5.1)	0.6	(1.1)
Energy	(23.6)	20.3	(0.4)
Financials	(4.0)	1.7	2.7
Health care	3.8	8.3	2.4
Industrials	(1.7)	5.2	2.2
Information technology	(10.6)	(2.7)	(9.0)
Materials	(12.6)	4.4	(4.2)
Real Estate	2.0	3.7	2.0
Utilities	3.6	4.6	2.5

FactSet

- Lyft fell nearly 11% Wednesday, following news that competitor Uber plans to release its prospectus in advance of coming public later this year. Thursday afternoon, Uber filed its IPO documents. In the first 10 days of April, Lyft's shares declined 23%
- Pinterest began its IPO roadshow
- PagerDuty, which provides Software as a Service for technology helpdesks, came public Thursday. The stock opened above \$36, more than 50% above its \$24 IPO price. At its opening print of \$36/share, the stock traded at a \$2.25 billion valuation, or nearly 27x revenue. By day's end, the stock closed at \$38.25. The company is the third "unicorn" to come public thus far in 2019 (Lyft and Tradeweb being the others)





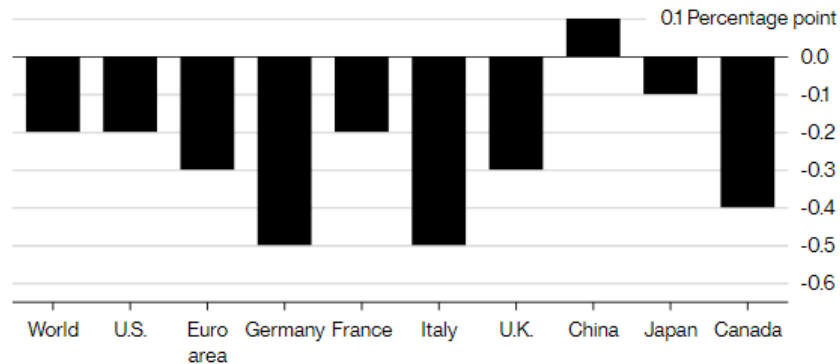
## U.S. Economic and Political News

- The International Monetary Fund cut its global economic forecast for the third time in six months, now calling for 3.3% global GDP growth in 2019, with downgrades in Europe largely to blame, while China was a source of upside. The IMF cut its estimate for US GDP to 2.3% (from a previous 2.5%)

### Blame Europe

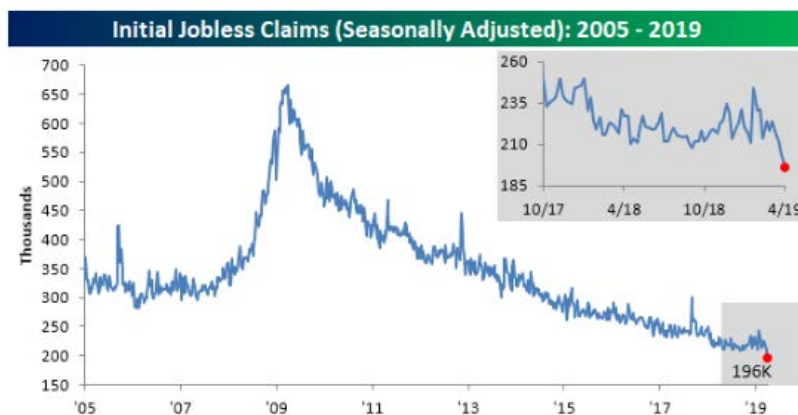
IMF sharply downgrades outlook for euro-area economies

■ 2019 forecast changes vs January



Source: International Monetary Fund

- U.S. economic data was mixed:
  - The Consumer Price Index increased 0.4% in March, vs. the 0.3% consensus forecast, while core CPI inched up 0.1%, vs. a 0.2% expectation. On a year-over-year basis, consumer prices rose 1.9% overall and 2.0% excluding volatile food and energy components
  - The Producer Price Index printed 0.6%, twice the 0.3% consensus forecast, while core PPI came in at 0.3% vs 0.2% consensus
  - The University of Michigan's Consumer Confidence gauge printed 96.9 in its preliminary April reading, shy of the 98.0 consensus forecast
  - US Factory Orders fell -0.5% in February, their fourth decline in five months. Durable Goods Orders dropped -1.6%
  - Weekly Jobless Claims were 196,000, lowest since October 1969



Source: Bespoke



- The Federal Reserve released minutes from its recent meeting, indicating that “a majority of participants expected that the evolution of the economic outlook and risks to the outlook would likely warrant leaving the target range unchanged for the remainder of the year”
- Minneapolis Fed President Neal Kashkari said that the Fed ought to be willing to tolerate a little more inflation, because “we have a symmetric target and actual inflation has averaged around 1.7%, below our 2% target, for the past several years. So if we were at 2.3% for several years that shouldn’t be concerning”
- Certain Republican legislators discouraged President Trump from formally nominating Herman Cain to the Federal Reserve Board. Among other issues, Mr. Cain criticized the Fed during his 2012 presidential campaign, saying the central bank “manipulates the dollar.” Republican Senators Mitt Romney (Utah), Cory Gardner (Colorado), Lisa Murkowski (Alaska) and Kevin Cramer (North Dakota) indicated they would not vote to confirm Mr. Cain. As a result, Mr. Cain pulled his name from consideration
- For her part, current Fed Governor Lael Brainard appeared to take a swipe at Cain and/or Fed nominee Stephen Moore, saying the Fed values “fact-based, intellectually coherent arguments that are based on evidence, that are consistent over time”
- And European Central Bank President Mario Draghi said he’s “certainly worried about central bank independence in other countries, especially...in the most important jurisdiction in the world”
- The Senate confirmed David Bernhardt as President Trump’s Secretary of the Interior by a 56-41 vote

### **International Markets and News**

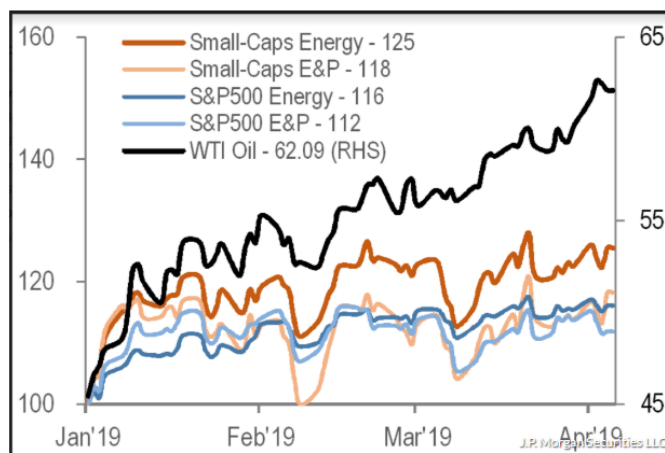
- European equities (STOXX Europe 600) fell -0.2% as the European Central Bank (ECB) left its key policy and rate guidance unchanged after it previously announced new bank loans and extended interest rate guidance in March. The Brexit deadline was pushed back to 10/31/2019, and Italian government cut its local growth outlook
  - As expected the ECB maintained that risks to the growth outlook remain tilted to the downside. The ECB also said it will consider helping banks that are hurt by its negative rate policy, and European banks rallied partially on this news
  - The European Union (EU) gave the UK until October 31st to finalize a Brexit agreement. UK Prime Minister May said she will continue to work on a cross-party agreement with the aim of ratification before May 22<sup>nd</sup>.
  - The Italian government approved an updated budget plan that reduced its forecasted growth from 1.0% to 0.2% (what’s a factor of five amongst friends?!?), and increased its expected budget deficit to 2.40%, well above the 2.04% target that the EU agreed to last year
- Chinese markets (Shanghai Composite Index) fell (-1.8%) after four prior weeks of gains, on optimism for a US-China trade deal. Beijing also implemented a batch of easing measures to offset softer growth
  - Chinese March export and bank lending data surprised to the upside



- On Wednesday, US Treasury Secretary Steven Mnuchin told CNBC that the US and China have “pretty much agreed on an enforcement mechanism,” reportedly one of the key remaining obstacles to settling the trade dispute
- Trade talks continued this week, but the timing of a deal and a potential summit between President Trump and his Chinese counterpart Xi Jinping remains uncertain
- Japanese equities rose 0.3% (Nikkei 225 Index) during the week as Japanese machinery orders declined and the IMF trimmed its growth forecasts for Japan
  - Year-over-year core machinery orders fell -5.5% (second-consecutive monthly decline) in February, which was worse than the expected decline of -5.2%. This decline may be reflecting the impact of a weakening global economic environment
  - The IMF lowered its 2019 economic growth forecast for Japan to 1.0% from 1.1% due, in part, to weakness in export data and the global economic slowdown

### Commodities

- The price of crude oil rose 1.2%, bringing its year-to-date gain to more than 40% after having collapsed in the 2<sup>nd</sup> half of 2018; however, most energy stocks have underperformed the massive rally in the commodity with appreciation of only 12%-25%



Source: JPMorgan



This Week:

- Earnings season begins to ramp up with banks, asset managers, and financial services generating a lot of the reports. Notable reporters include, but are not limited to:
  - Monday: M&T Bank, **Schwab**, Citigroup, Goldman Sachs
  - Tuesday: Bank of America, Blackrock, IBM, Progressive, Fulton Financial, Comerica, **Johnson & Johnson**, **United Health**, Netflix, United Continental, CSX
  - Wednesday: **Abbott Labs**, Bank of New York, **Crown Castle**, **Crown Holdings**, **Kansas City Southern**, **Morgan Stanley**, **Pepsi**, Kinder Morgan, **NVR**, Textron, United Rentals, US Bancorp, ETrade, Las Vegas Sands, Bank Ozk
  - Thursday: American Express, Suntrust, BB&T, **Schlumberger**, **Webster Financial**, Genuine Parts, Dover, Travelers, Sonoco, Union Pacific, **Check Point Software**, VF Corp, **Danaher**, Regions, Synchrony, Intuitive Surgical, Manpower, SnapOn, PPG, **Philip Morris International**, Key Corp
- The domestic economic calendar will see Flash PMIs on Thursday, while abroad investors may focus on economic data and GDP figures on late Tuesday
- U.S. economic data:
  - Monday: Capacity Utilization (Mar), Manufacturing Production (Mar), Industrial Production (Mar), NAHB Housing Market (Apr), Fed speaker Kaplan
  - Tuesday: No significant reports
  - Wednesday: Exports / Imports (Feb), Balance of Trade (Feb), Wholesale Inventories (Feb), Fed speakers Harker and Bullard
  - Thursday: Retail Sales (Mar), Manufacturing PMI (flash Apr), CB Leading Index (Mar), Business Inventories (Feb)
  - Friday: Good Friday – US, UK and German markets (among others) closed. Housing Starts (Mar), Building Permits (Mar)

As always, thank you very much for your interest in our thoughts and support of our services

Whitney Stewart, CFA®  
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