

Return

Index	Close	Week	YTD
Dow Jones Industrial Average	26,560	0.6%	13.9%
S&P 500 Index	2,905	-0.1%	15.9%
NASDAQ	7,998	0.2%	20.5%
Russell 2000 Index	1,566	-1.2%	16.1%
MSCI EAFE Index	1,928	0.6%	12.1%
10-yr Treasury Yield	2.56%	-0.01%	-0.12%
Oil (\$/bbl)	\$64.02	0.2%	41.0%
Bonds*	\$108.19	-0.3%	2.4%

Source: Bloomberg, 04/18/19

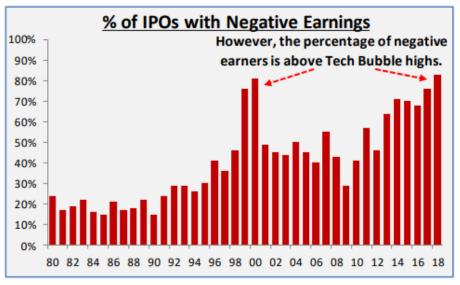
Last Week:

U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) were flattish (-0.1%) as cyclical sectors (industrials, information technology, consumer discretionary) benefitted from solid earnings and better-than-expected economic data from China, while defensive sectors (healthcare, utilities, and REITs) underperformed
 - o Industrials (+1.3%) outperformed with strength in rails, equipment, rental, and building materials, as earnings were generally ahead of lowered expectations
 - o Information technology (+1.3%) outperformed with strength in semiconductors, as well as **Qualcomm** (+40.3%) and Apple (+2.5%) as they agreed to a long-term license agreement and dropped all litigation against one another
 - o Consumer staples (+1.0%) outperformed primarily due to beverages and retail
 - o Consumer discretionary (+0.8%) outperformed led by builders, and select retail, apparel, and auto companies
 - o Communication services (+0.7%) outperformed led by **Alphabet** (+1.5%), **Comcast** (+2.7%) and Netflix (+2.6%)
 - o Financials (+0.7%) outperformed despite mixed performance for banks
 - o Materials (-0.5%) underperformed on weakness in containerboard/box shipments data, and a selloff in precious metals
 - o Energy (-0.5%) underperformed despite the price of oil rising +0.2% this week
 - o Utilities (-1.6%) and REITs (-3.2%) underperformed as investors favored less defensive sectors
 - o Healthcare (-4.4%) underperformed as managed care insurers and medical providers were hit by political concerns of "Medicare For All." Healthcare boasts the dubious distinction of being the worst sector year-to-date, -0.8% vs. the S&P 500 Index up +15.9%
- Small-cap equities significantly underperformed U.S. large caps, and the Russell 2000 Index year-to-date performance is now only 0.2% ahead of the S&P 500 Index

^{*}Bonds represented by the iShares U.S. Aggregate Bond ETF

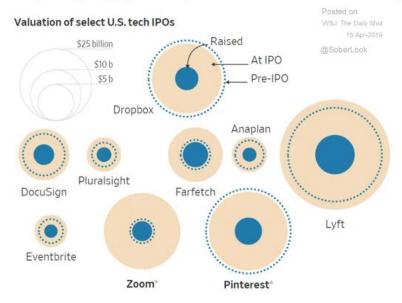
- The technology-heavy Nasdaq Composite Index (+0.2%) outperformed the S&P 500
- Pinterest priced its initial public offering above the top end of the expected range, with its valuation exceeding \$10 billion. Shares popped 28% in their first day of trading Thursday
- Zoom likewise topped its proposed IPO range, and soared 72% in its opening day of trade
 - o Zoom CEO Eric Yuan described his company's valuation as "crazy" in a *Barron's* interview
- Indeed, the percentage of IPOs for unprofitable companies exceeds that of the dot.com bubble



Source: Wolfe Research

• Below is a review of select U.S. tech IPOs and the capital raised relative to their valuations pre-IPO and at IPO:





*Expected

Sources: Dealogic (raised, valuation at IPO); Dow Jones VentureSource (pre-IPO valuation)



But lest you feel like it's 1999 again, The Economist is casting some skepticism on so-called unicorn IPOs

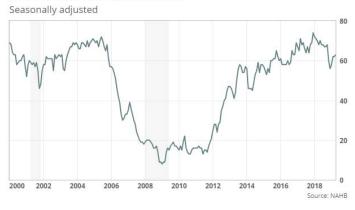


Source: Economist.com

U.S. Economic and Political News

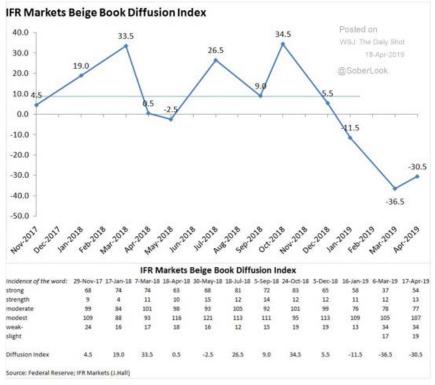
- Economic data was mixed
 - o Industrial Production dipped -0.1% in March, and February data also got revised to -0.1%; the March figure compared to a consensus forecast of +0.3%. For the first quarter, Industrial Production slipped -0.3%, its worst since the third quarter of 2017
 - o Capacity Utilization came in at 78.8%, below the 79.2% consensus estimate
 - o Weekly Jobless Claims fell 5,000 to 192,000, marking the first back-to-back readings below 200,000 since 1969
 - o March Retail Sales rose 1.6%, topping the 1.0% consensus forecast, and the biggest gain in a year and a half. Excluding autos, sales rose 1.2%, better than the 0.7% expectation
 - o The Philadelphia Fed Index printed 8.5 in April, well below March's 13.7 and a tad shy of the 10.1 consensus estimate
 - o The Architectural Billings Index slumped to 47.8, its lowest reading since May 2012
 - o Home Builder Sentiment jumped to a 6-month high, printing 63 in April

NAHB builder sentiment





• The Fed's Beige Book report signaled that the U.S. job market remains tight and input costs have been rising, but companies' ability to pass these on to their customers has been "mixed." Below is the Beige Book diffusion index which tracks words that signal economic strength vs. weakness over time. The index suggests that the economic weakness may have bottomed in March with a slight improvement in April (albeit the month isn't over yet!)



Source: Federal Reserve; IFR Markets (J.Hall)

- National Economic Council Director Larry Kudlow says the White House still backs Herman Cain and Stephen Moore for Federal Reserve governorships, but went on to say that, "We're talking to a number of candidates, we always do"
- After reports that the U.S. and China have tentatively scheduled two new rounds of face-to-face trade talks and aiming for a signing ceremony in late May or early June, China's Commerce Ministry said there has been new progress in the text of U.S.-China trade deal (though more work needs to be done)

International Markets and News

- European equities (STOXX Europe 600) rose as the European Central Bank (ECB) maintained its dovish tilt, global growth optimism improved due to stronger China macro data, positive U.S.-China trade news, better than expected earnings reports and a six month Brexit extension, partially offset by weak PMI data
 - O Bloomberg reports that ECB officials aren't opposed to examining the impact of helping banks that are hurt by its negative rates policy, but many don't yet see a merit in a switch to a tiering policy



- o Weaker than expected purchasing managers' index (PMI) data showed that the French (49.6) and German (44.5) manufacturing sectors remained in contraction (below 50 is contraction). The total Eurozone PMI rose slightly to 47.8, but remained in contraction territory
- Chinese markets (Shanghai Composite Index) rose on stronger than expected GDP growth, and optimism regarding U.S.-China trade talks
 - o China's GDP grew 6.4% year-over-year for the first quarter of 2019, which beat Reuters consensus of 6.3%. Industrial production surged, while other gauges of fixed asset investment and retail sales showed solid growth
 - o China's Commerce Ministry said there has been new progress in the text of U.S.-China trade deal (though more work needs to be done). Reports indicate that a signing ceremony may be scheduled for late May or early June
- Japanese equities rose 1.0% (Nikkei 225 Index) during the week as U.S. and Japanese trade negotiators met in Washington, U.S. trade surplus increased and industrial production grew, partially offset by reduced exports to the U.S.
 - o Japan's Finance Ministry reported that the country's trade surplus with the U.S. increased 9.8% year-over-year for the annual period through March; however, the Finance ministry also said that exports declined 2.4% year-over-year in March as demand from China declined (exports down 9%)
 - o Industrial production grew 0.7% in February, bouncing back from a 2.5% drop in January, but the data showed a 1.1% decline for the year-over-year period

Commodities

- Gold fell to its lowest level of the year, closing the week at \$1,271.90/ounce, amid news that Venezuela sold \$400 million of gold to offset U.S. sanctions
- The price of crude oil rose 0.2% in the week, and remains up 41% in 2019 after collapsing in the 2nd half of 2018; however, most energy stocks have underperformed the massive rally in the commodity with appreciation of only 12%-25%

STERLING CAPITAL

Weekly Market Recap April 22, 2019

This Week:

- Oil prices are rallying anew, amid news that the Trump Administration plans to end waivers for imports of Iranian oil
- Earnings season kicks into high gear with nearly every sector represented by a number of high profile releases
 - Monday: Bank of Hawaii, Boston Properties, Baidu, Brown & Brown, Zions Bancorporation, Markel, Whirlpool, Celanese, Halliburton, Kimberly Clark, Sanmina, Range Resources, Lincoln Electric, WW Grainger, Robert Half, Heidrick & Struggles, McDermott, Rambus, Tenneco, PACCAR, Lennox, Teradyne, Wynn
 - Tuesday: Axalta, Ameritrade, JetBlue, AMD, Boston Beer, Towne Bank, WR Berkley, Fifth Third Bancorp, Stryker, Hexcel, Centene, CIT, CoStar, Sherwin Williams, State Street, UMB Financial, Procter & Gamble, Nucor, Graphic Packaging, Coca Cola, Northern Trust, St. Joe, Waters, Navient, Citrix, United Technologies, Lockheed Martin, Edwards Lifesciences, Verizon, Goodyear, Synovus, Quest Diagnostics, Harley Davidson, eBay, Ensco, NextEra, Equifax, T Rowe Price, Highwoods, Universal Health, Hasbro, Pulte, Total Systems, Texas Instruments, TransUnion, Trinity, Twitter
 - Wednesday: Amphenol, Avalon Bay, O'Reilly Automotive, Axis Capital, American Airlines, Packaging Corp of America, Forward Air, Air Products, Align Technologies, AT&T, Ameriprise, Avery Dennison, Anthem, Bemis, Fortune Brands, Tupperware, Boeing, Biogen, Brinks, Dunkin' Brands, Boston Scientific, Stanley Black & Decker, Chipotle, Moody's, General Dynamics, KLA Tencor, Norfolk Southern, TE Connectivity, Northrop Grumman, Royal Caribbean, Caterpillar, Cincinnati Financial, Microsoft, Core Laboratories, Gentex, Domino's, Thermo Fisher, Facebook, F5, Graco, Silgan, Sirius XM, Nielsen, Morningstar, Xilinx, Visa, Rollins
 - o Thursday: 3M, AFLAC, Amazon, Altria, Alliance Data, Allegion, WABTEC, Arthur J Gallagher, Southwest Airlines, Alaska Airlines, Avnet, Helmerich & Payne, Penske, Rockwell Automation, Abbvie, Bristol Myers, Borg Warner, Baxter, Briggs & Stratton, Marsh & McLennan, Intel, Hess, Hershey, Raytheon, Eastman Chemical, International Paper, Ford, Tractor Supply, Cerner, LKQ, Visteon, Fortive, Valero, Newmont, Starbucks, Comcast, Old Dominion Freight, DR Horton, Discover Financial, Werner, Federated Investors, Perkin Elmer, Iron Mountain, Invesco, Mohawk, Illinois Tool Works, LyondellBassell, Verisign, UPS, Illumina, Roper, LogMeIn, Juniper, Waste Management, Republic Services
 - o Friday: **Aon**, Archer Daniels, Autoliv, Ardagh, **Zimmer Biomet**, Exxon, **Weyerhaeuser**, Chevron, Lear, Colgate, Interpublic Group, WABCO, Franklin Resources
- The domestic economic calendar will be highlighted by Friday's GDP report:
 - o Monday: Chicago Fed index (Mar), Existing Home Sales (Mar, consensus 5.35 million)
 - o Tuesday: House Price Index (Feb), Richmond Fed Manufacturing index (Apr), New home sales (Mar, consensus 645,000)



- o Wednesday: No significant economic reports
- o Thursday: Durable Goods orders (Mar, consensus 0.5%), Kansas City Fed Manufacturing Index (Apr)
- o Friday: GDP Q/Q (prelim Q1, consensus +1.8%), PCE prices q/q Q1, Michigan Current Conditions / Consumer Sentiment (Apr)

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

Whitney Stewart, CFA® Executive Director

Adam Bergman, CFA® Executive Director

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