



Index	Close	Return	
		Week	YTD
Dow Jones Industrial Average	25,764	-0.7%	10.4%
S&P 500 Index	2,860	-0.8%	14.1%
NASDAQ	7,816	-1.3%	17.8%
Russell 2000 Index	1,536	-2.4%	13.9%
MSCI EAFE Index	1,869	0.2%	8.6%
10-yr Treasury Yield	2.39%	-0.07%	-0.29%
Oil (\$/bbl)	\$62.69	1.7%	38.1%
Bonds*	\$109.03	0.3%	3.4%

Source: Bloomberg, 05/17/19

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

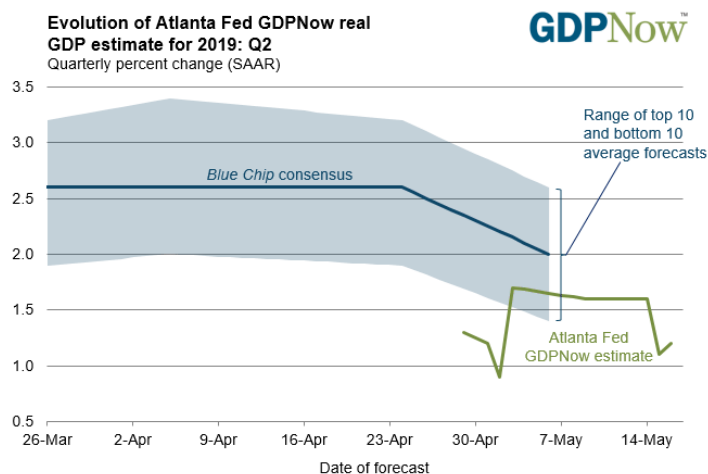
Last Week:

U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) fell (-0.8%) as the U.S.-China trade concerns escalated with President Trump implying that he has no intention of backing off, partially offset by increased expectations for the Federal Reserve to cut interest rates by January 2020, and improved May U.S. economic data. Defensive sectors (REITs, utilities, consumer staples & healthcare) outperformed, while cyclical sectors (financials, industrials, consumer discretionary & materials) and information technology (significant Chinese exposure) underperformed during the week.
 - REITs (+1.4%), utilities (+1.2%) and consumer staples (+0.9%) outperformed as investors favored defensive sectors and interest rates declined
 - Communication services (+0.3%) outperformed with pockets of strength in entertainment and telecommunication services (AT&T +3.9% & **Verizon** +2.1%)
 - Healthcare (-0.5%) outperformed with individual company strength including **AbbVie** (+2.6%) and **Pfizer** (+1.8%)
 - Energy (-0.7%) outperformed as the price of oil rose 1.7%
 - Materials (-0.8%) underperformed as U.S.-China trade concerns and softer Chinese economic activity data weighed on the industrial metals
 - Information technology (-1.1%) underperformed with U.S.-China trade concerns weighing on the semiconductor industry
 - Consumer discretionary (-1.1%) underperformed with weakness in retail and apparel, auto parts, and casinos
 - Industrials (-1.9%) underperformed with machinery bogged down by U.S.-China trade concerns and earnings
 - Financials (-2.1%) underperformed as banks were hit by another move down in interest rates



- Small-cap equities underperformed U.S. large caps, and the Russell 2000 Index year-to-date performance is now -0.2% behind the S&P 500 Index
- The technology-heavy Nasdaq Composite Index (-1.3%) underperformed the S&P 500
- After stocks plunged Monday on news that the U.S. and China would be assessing additional tariffs against each other, CNBC's Jim Cramer recommended that President Trump stop tweeting and go play some golf
- Even as China threatened to potentially dump its U.S. Treasury holdings, investors continue to view the asset class as a safe haven, with 10-year yields falling below 2.4% Monday. Two year Treasury yields fell to a 15-month low
- Data released Thursday suggests China's "threat" is more like a reality, with Chinese ownership of U.S. Treasuries down to a 2-year low
- Fed Funds Futures imply an interest rate cut will occur later this year
- Stocks reversed course into positive territory Wednesday, after news emerged that the Trump Administration is delaying the implementation of tariffs on European automobiles
- On Thursday, the White House announced it had effectively banned the sale of Huawei (Chinese telecommunications company) equipment to U.S. companies, while Huawei will no longer be able to procure U.S. components and technology
- Tesla fell to its lowest level in more than two years, in part due to a fatal crash when a Tesla Model 3's Autopilot feature was engaged. The company also announced a "hardcore" cost cutting program, in which management will "examine every expenditure, no matter how small." CEO Elon Musk said Tesla's \$2.2 billion cash position gives the company about 10 months of capital based on its recent cash burn rate
- Uber fell almost 11% Monday, following a near 8% loss in its first day of trading the prior Friday, a rough start as a publicly traded company. Tuesday, Uber's shares shot up nearly 8%, followed by a 4% gain Wednesday that still has the stock lower than its IPO price. Volatility isn't for the faint of heart!
- Halfway through the second quarter, estimates for GDP continue to decline



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts



U.S. Economic and Political News

- The NAHB Home Builder Sentiment index jumped to 66 in May, its highest reading since October

NAHB builder sentiment

Seasonally adjusted



Source: NAHB

- The Empire State Manufacturing Index printed 17.8 for May, a six-month high and more than double the 7.9 consensus forecast
- The Philadelphia Fed Index printed 16.6, much stronger than the 9.0 consensus forecast, a 4-month high
- U.S. Industrial Production fell -0.5% in April, worse than the +0.1% consensus estimate. Capacity Utilization printed 77.9%, below the 78.8% expectation
- Housing Starts came in at 1.235 million annualized units in April, a bit better than the 1.217 million consensus forecast. Building permits rose to 1.296 million units, also a shade above the 1.290 million estimate
- Weekly Jobless Claims eased to 211,000
- U.S. Retail Sales fell -0.2% in April, vs. a consensus estimate of +0.1%, marking the second decline in the past three months

Retail sales

Change from previous month, seasonally adjusted



Source: Commerce Department via FRED



International Markets and News

- European equities (STOXX Europe 600) rose +1.2% despite the increased U.S.-China trade tension, anti-EU rhetoric from Italian politicians ahead of next week's EU election, and ongoing Brexit negotiations. Defensive sectors (consumer staples, health care, and utilities) outperformed, and European autos benefited from reports that the White House may delay tariffs on foreign autos and parts
 - Increasing global macro concerns may be driving the rising demand for German debt as German bond yields hit their lowest levels since October 2016 at -0.10%
 - With one week to go before the EU Parliament elections, Italian League leader Salvini said taxes should be cut even if Italy breaches the EU's 3% deficit-to-GDP limit, and sees public debt go above 140% of GDP
 - Cross-party Brexit talks between the government and the Labour Party broke down after six weeks. The British Pound hit its lowest level against the U.S. dollar since mid-January, below \$1.275
- Chinese markets (Shanghai Composite Index) fell -1.9% on U.S.-China trade concerns and weaker Chinese economic data, partially offset by expectations that Beijing would roll out more fiscal and monetary stimulus to boost the slowing economy
 - China responded that it will impose an additional \$60B in tariffs on imports from the U.S.
 - Chinese growth in industrial output, retail sales, and fixed asset investment for April from prior-year levels was below expectations and slowed sharply
- Japanese equities fell -0.4% (Nikkei 225 Index) during the week as U.S.-China trade concerns and the Japanese Cabinet Office's downgrade of its assessment of current economic indicators weighed on markets
 - Japan's Cabinet Office downgraded its assessment of current economic indicators to "worsening" for the first time in more than six years. The leading economic indicators and the "coincident index" have turned lower since February as the U.S.-China trade war is taking a toll on the Japanese economy

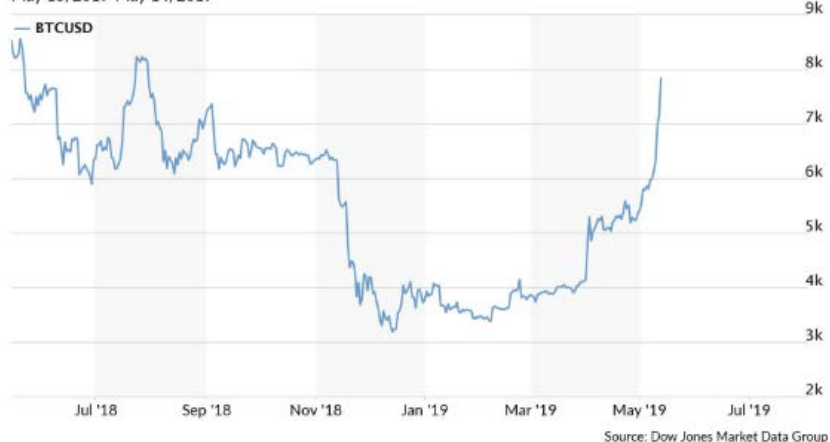
Commodities

- Driven in part by saber-rattling between the United States and Iran, the price of crude oil rose +1.7% and remains up 38.1% in 2019 after collapsing in the 2nd half of 2018; however, most energy stocks have underperformed the massive rally in the commodity
- The price of gold lost -0.9% for the week
- After slumping from \$20,000 in late 2017 to nearly \$3,000 in late 2018, Bitcoin has surged of late, topping \$8,000 in Friday trading



Bitcoin is back

May 13, 2019-May 14, 2019



Sterling Capital Management in no way recommends Bitcoin or other cryptocurrencies. Source: Dow Jones Market Data Group



This Week:

- Earnings season continues to wind down, but several retail companies will report. Notable releases included, but are not limited to: **Home Depot**, **Lowe's**, Kohl's, TJX, Nordstrom, Pure Storage, Urban Outfitters, L Brands, Net App, Shoe Carnival, Synopsys, Best Buy, Hormel Foods, **Medtronic**, DXC Technology, Hewlett Packard, **Intuit**, Ross Stores, Foot Locker
- U.S. economic data:
 - Monday: Chicago Fed National Activity (Apr)
 - Tuesday: Existing Home Sales (Apr)
 - Wednesday: FOMC Meeting Minutes
 - Thursday: Markit Composite PMI (May), Markit Manufacturing PMI (May), New Home Sales (Apr), Kansas Fed Manufacturing Index (May)
 - Friday: Durable Goods Orders (Apr)

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

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