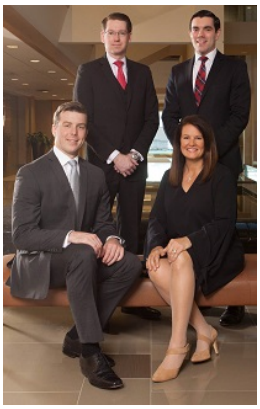

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Market Month: April 2018

The Markets (as of market close April 30, 2018)

April was marked by the impending tariff war between the United States and China. Tensions between the world's two largest economies certainly affected stocks both home and abroad. Escalating strife in Syria posed an additional reason for investors to be concerned. However, surging energy stocks lifted the market as crude oil prices approached $70 per barrel for the first time in almost three years. Talks between North and South Korea also helped ease investor tensions. By the close of April, the dollar reached its highest level since January, while yields on 10-year Treasuries approached 3.0% for the first time since 2014 — signs that the world views U.S. economic growth as on the rise.

With all of the upheaval during the month — both positive and negative — it's no wonder that equities essentially closed April about where they began the month. Each of the benchmark indexes listed here posted meager positive monthly gains over their March closing values. The Global Dow enjoyed the best month, as the only index listed here to post a gain of over 1.0%. The Russell 2000 gained a little less than 1.0%, while the large caps of the Dow and S&P 500 crept up about 0.25%, respectively. The Nasdaq posted the smallest gain, however it leads the year-to-date race by a telling margin.

By the close of trading on April 30, the price of crude oil (WTI) was $68.57 per barrel, up from the price of $64.91 per barrel on March 29. The national average retail regular gasoline price was $2.798 per gallon on April 23, up from the March 26 selling price of $2.648 and $0.199 more than a year ago. The price of gold decreased by the end of April, closing at $1,316.10 on the last trading day of the month, down from its price of $1,329.60 at the end of March.

Market/Index	2017 Close	Prior Month	As of April 30	Month Change	YTD Change
DJIA	24719.22	24103.11	24163.15	0.25%	-2.25%
NASDAQ	6903.39	7063.44	7066.27	0.04%	2.36%
S&P 500	2673.61	2640.87	2648.05	0.27%	-0.96%
Russell 2000	1535.51	1529.43	1541.88	0.81%	0.41%
Global Dow	3085.41	3026.70	3061.73	1.16%	-0.77%
Fed. Funds	1.25%-1.50%	1.50%-1.75%	1.50%-1.75%	0 bps	25 bps
10-year Treasuries	2.41%	2.73%	2.95%	22 bps	54 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Month's Economic News

- **Employment:** Total employment rose by 103,000 in March following February's upwardly revised total of 326,000 new jobs. Employment gains occurred in health care, mining, and manufacturing. The unemployment rate remained at 4.1%, with roughly 6.6 million eligible workers unemployed. Over the year, the number of long-term unemployed was reduced by 338,000. The labor participation rate was little changed at 62.9%. The employment-population ratio held at 60.4% in March. The average

Key Dates/Data Releases

5/1: PMI Manufacturing Index, ISM Manufacturing Index

5/2: FOMC meeting

5/3: International trade

5/4: Employment situation

5/8: JOLTS

5/9: Producer Price Index

5/10: Consumer Price Index, Treasury budget

5/11: Import and export prices

5/15: Retail sales

5/16: Housing starts, industrial production

5/23: New home sales

5/24: Existing home sales

5/25: Durable goods orders

5/30: International trade in goods, GDP

5/31: Personal income and outlays

workweek was unchanged at 34.5 hours for the month. Average hourly earnings increased by $0.08 to $26.82. Over the last 12 months, average hourly earnings have risen $0.71, or 2.7%.

- **FOMC/interest rates:** The Federal Open Market Committee did not meet in April. Its next scheduled meeting is during the first week of May.
- **GDP/budget:** The initial estimate of the first-quarter gross domestic product showed expansion at an annual rate of 2.3%, according to the Bureau of Economic Analysis. The fourth-quarter GDP grew at an annualized rate of 2.9%. Consumer spending rose 1.1% in the first quarter after advancing 4.0% in the fourth quarter. Spending on durable goods, which had increased 13.7% in the fourth quarter, dropped 3.3% in the first quarter. The government deficit was $208.74 billion in March, compared to February's deficit of $215.25 billion. The fiscal 2018 deficit (which began in October 2017) is $599.71 billion — an increase of $72.85 billion, or 13.8%, above the deficit over the same period last year.
- **Inflation/consumer spending:** Inflationary pressures continued to show upward momentum in March. The personal consumption expenditures (PCE) price index (a measure of what consumers pay for goods and services) ticked up 0.4% in March following a February gain of 0.2%. The core PCE price index (excluding energy and food) also jumped ahead 0.2% in March. Both personal (pre-tax) income and disposable personal (after-tax) income climbed 0.3%, respectively, over the prior month. Personal consumption expenditures (the value of the goods and services purchased by consumers) climbed 0.4% in March.
- The Consumer Price Index dropped 0.1% in March after climbing 0.2% in February. Over the last 12 months ended in March, consumer prices are up 2.4%. Core prices, which exclude food and energy, are up 2.1% for the year.
- Prices at the wholesale level expanded in March. The Producer Price Index showed the prices companies receive for goods and services jumped 0.3% in March. Year-over-year, producer prices have increased 2.7%. Prices less food and energy increased 0.3% for the month and are up 2.9% over the last 12 months.
- **Housing:** Home sales improved in March. Total existing-home sales climbed 1.1% for the month following a 3.0% gain in February. However, year-over-year, existing home sales are down 1.2%. The March median price for existing homes was $250,400, which is 5.8% higher than the March 2017 price of $236,600. Inventory of existing homes for sale rose 5.7%, representing a 3.6-month supply. New home sales rebounded in March following a dip in February. The Census Bureau's latest report reveals sales of new single-family homes increased 4.0% in March. The median sales price of new houses sold in March was $337,200 ($326,800 in February). The average sales price was $369,900 ($376,700 in February). There were 301,000 houses for sale at the end of March, which represents a supply of 5.2 months at the current sales rate.
- **Manufacturing:** Industrial production edged up 0.5% in March after increasing 1.0% in February. Manufacturing output rose 0.1% for the month, after climbing 1.5% in February. Total industrial production was 4.3% higher in March than it was a year earlier. Capacity utilization for the industrial sector moved up 0.3 percentage point in March following a 0.7 percentage point increase in February. New orders for manufactured durable goods climbed 2.6% in March following a 3.5% jump in February. For the year, new durable goods orders are up 8.7%.
- **Imports and exports:** The advance report on international trade in goods revealed that the trade gap decreased by $7.8 billion in March from February. The deficit for March was $68.0 billion, with exports of goods climbing 2.5%, while imports decreased 2.1% in March compared to February. For the month, total imports ($208.1 billion) far exceeded exports ($140.1 billion). Import prices were flat in March after increasing 0.3% in February. For the year, import prices have increased 3.6%. Prices for exports advanced 0.3% in March and are up 3.4% for the year.
- **International markets:** Trade tensions between the United States and China continue to loom entering May, although both sides are working behind the scenes to reach a compromise over their mutual tariff threats. However, some experts see the spat between the two economic giants as having a direct impact on global economic growth. The European Central Bank left its monetary policy in place, leaving lending rates at their March 2016 levels. European corporate earnings reports for the first quarter were mixed. Data from the United Kingdom's Office of National Statistics showed the British economy expanded a disappointing 0.1% in the first quarter of 2018. The Bank of Japan maintained its short-term interest rates at -0.1% while continuing the bank's commitment to maintain the current monetary base until the core consumer price index reaches an inflation target of 2.0%.
- **Consumer confidence:** Consumer confidence, as measured by The Conference Board Consumer Confidence Index®, increased in April following a decrease in March. The index sits at 128.7, up from 127.0 in March. According to the report, consumer sentiment improved relative to the current economy, while expectations for future economic growth also improved.

Eye on the Month Ahead

May could see more market volatility as the political climate, both home and abroad, drives investor behavior. The month starts off with the Federal Open Market Committee meeting. Another interest rate hike could add to investor uneasiness, although such a move by the Committee would be a sign of continued economic strengthening.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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