WEEKLY HEADINGS

THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

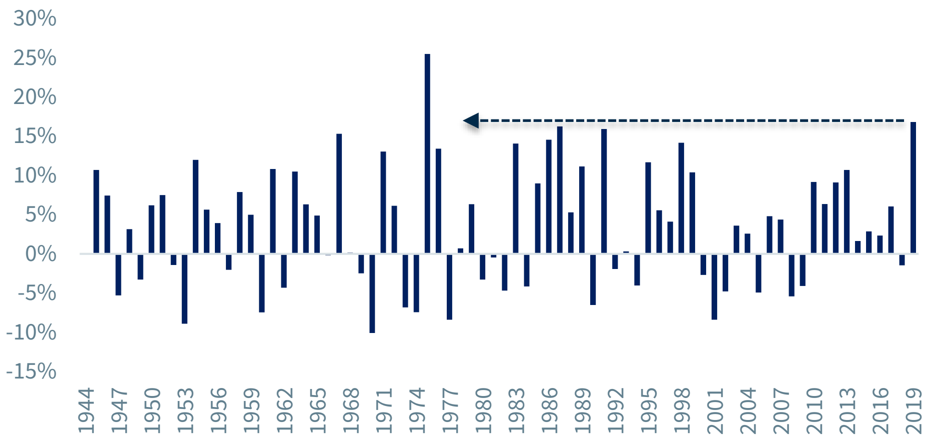
On the back of 1Q19 solid earnings results and healthy economic data releases, the S&P 500 continued its remarkable move higher this week and closed at a record high (2,933) for the first time since September 2018. To put the strength of the rally into perspective, the S&P 500 is now up 17.5% year-to-date through April 24, which marks the best start to a year since 1975 and the second best over the last 75 years. In addition, with the S&P 500 up ~25% since the Christmas Eve bottom, it is in the 99.6 percentile relative to all other time periods over the past 30 years. This means that the S&P 500 has experienced a stronger 87 trading-day rally (the number of trading days between Christmas Eve until present) only 0.4% of the time. Given the robust rally, it would not be surprising to see a near-term pause in the equity rally or a brief consolidation as the 14 day RSI (relative strength index) rose into overbought territory (a level above 70) and to its highest level (73) since January 2017. Despite this, we remain constructive on the equity market longer term and would use any near-term weakness as a buying opportunity for the following five reasons:

1. Solid Macro Environment | This morning's strong reading on 1Q19 GDP* (+3.2%, well above the previous 10 first quarters which averaged +1.1%) and the solid economic data points received thus far for the second quarter (e.g., retail sales and manufacturing surveys) reflect continued above trend economic growth (2019 U.S. GDP forecast: +1.9%) with little risk of recession over the next 12 months. This, in conjunction with the stabilization in global economic momentum following a potential U.S./China trade deal, should provide an attractive environment for equities and risk assets to continue to move higher.
2. Fed on the Sideline | The Federal Reserve (Fed) has signaled that it will end its balance sheet run-off process in September and remain on the sideline in 2019 (consistent with our view of zero rate hikes for 2019). In addition, the Fed has insinuated that it may allow both the economy and inflation to run "hotter" before raising interest rates. Lower interest rates should lead to a higher multiple on equity prices and support their upward trajectory.
3. Earnings Stabilization | Following the sharp downward revision to future earnings expectations over recent months, 2019 (+4.3%) and 2020 (+11.3%) earnings forecasts have stabilized in recent weeks and have actually started to move higher as we have had a strong start to the 1Q19 earnings season. Record levels of earnings and positive earnings growth going forward should continue to push U.S. equities to all-time highs.
4. Favorable Shareholder Activity | After rising ~10% year-over-year (YoY) in 2018, dividends are expected to grow an additional 7% in 2019 to another record high. As the current S&P 500 dividend yield (+1.9%) remains elevated relative to short-term Treasury yields, U.S. equities remain an attractive investment. In addition, following a record amount of corporate buybacks over the last twelve months, buyback activity remains healthy.
5. De-Equitization of the Equity Market | U.S. M&A activity is on pace to post the strongest year on record. As a result, the number of publically-listed U.S. companies is near the lowest level (~4,500) since the 1980s and is down ~50% from its mid-1990s peak. Given that there are now fewer companies for investors to buy, this provides upward pressure on U.S. equity prices. This is referred to as the "de-equitization" of the equity market.

CHART OF THE WEEK

2019 Power Surge:

The S&P 500 has posted its strongest start to a year (through April 24) since 1975 and the second best over the past 75 years.



S&P 500 Price Return Through April 24 By Year

*See Charts of the week on page 3.

ECONOMY

- Real GDP rose at a 3.2% annual rate in the advance estimate for 1Q19*, but growth was not as strong as the headline figure suggests. GDP was largely boosted by faster inventory growth and a narrower trade deficit. Consumer spending and business investment slowed, and residential fixed investment fell for the fifth consecutive quarter. These components are expected to reverse in 2Q19, with inventories and foreign trade subtracting from GDP growth, while consumer spending, business investment, and residential homebuilding are likely to pick up.
- Next week, the economic calendar is full. The monthly ISM survey results and the employment report are likely to be the highlights, but we will also get data on consumer confidence and spending (quarterly spending figures are included in the GDP report, but the monthly data will help to gauge the degree of momentum heading into 2Q19).
- While the economic data will be important, investors will be more interested in results of the Fed's policy meeting (announced at 2:00 pm on Wednesday). No change in short-term interest rates is anticipated. We won't get revised forecasts of senior Fed officials (no new dot plot), but investors will listen to Chairman Powell's press conference for any clues about a possible rate cut in the months ahead (specifically, what conditions would prompt a change).
- **Focus of the Week:** Following the weather-related volatility in January and February, payroll growth appeared to settle to a more moderate pace in March, which likely continued in April. Keep an eye on manufacturing, retail, and temp-help payrolls, which were weak in March and could signal some concern in April. Our estimate is for 160,000 jobs created, 3.8% unemployment rate, and a month-over-month increase of 0.3% (for a YoY rate of 3.3%) in wages.

THE WEEK AHEAD: April 29 – May 3

MON
- Personal Spending
- Personal Income
- PCE Price Index

TUE
- CB Consumer Confidence

WED
- ADP Payroll Estimate
- ISM Manufacturing Index
- FOMC Policy Decision
- Powell Press Conference

THU
- BOE Policy Decision
- Jobless Claims
- Factory Orders

FRI
- Nonfarm Payrolls
- Avg Hourly Earnings
- ISM Non-Manufacturing Index

FUTURE EVENTS
- 5/15 USTR Hearing
- 5/23 European Parliamentary Elections
- 6/25 OPEC Meeting

U.S. EQUITIES

- Q1 earnings season has been generally well received with notable strength from the technology-oriented areas, which continue their market leadership. The S&P 500 and Nasdaq Composite reached all-time highs. In addition, 7 of the 11 GICS sectors are back above their previous September highs. Cyclical sectors continue to outperform.
- 38% of the S&P 500 has reported Q1 results thus far with 78% of companies beating on the bottom line* for an average earnings surprise of 6.33%. So far, these metrics are running above their five-year averages in what has been a better than expected Q1 earnings season. Full Q1 earnings estimates have moved higher, and now reflect -1.7% growth for the quarter. If earnings season continues to progress like it has, Q1 earnings will finish in positive territory.
- **Focus of the Week:** Earnings season and China trade negotiations are progressing well and remain the focus. U.S. officials are set to visit Beijing next week, with Chinese officials returning to DC the following week. Over 35% of the S&P 500 market cap reports earnings next week including Google, GE, Apple, McDonalds, and Gilead Sciences.

FIXED INCOME

- The data-driven bond market will hinge on a few big releases next week. Personal Consumption Expenditures (PCE), the Fed's favored measure of inflation, will be released Monday with the consensus estimate (+1.7%) remaining below the Fed's 2% target. Non-Farm Payroll and Hourly Earnings numbers will be released on Friday.
- **Focus of the Week:** The Peoples Bank of China also declared it has no intention of tightening or loosening its monetary policy. This sets the stage for the FOMC rate decision on Wednesday which anticipates that the U.S. central bank will also keep monetary policy unchanged. Any surprises in the FOMC statement regarding the economic outlook or future monetary policy could create bond market volatility.

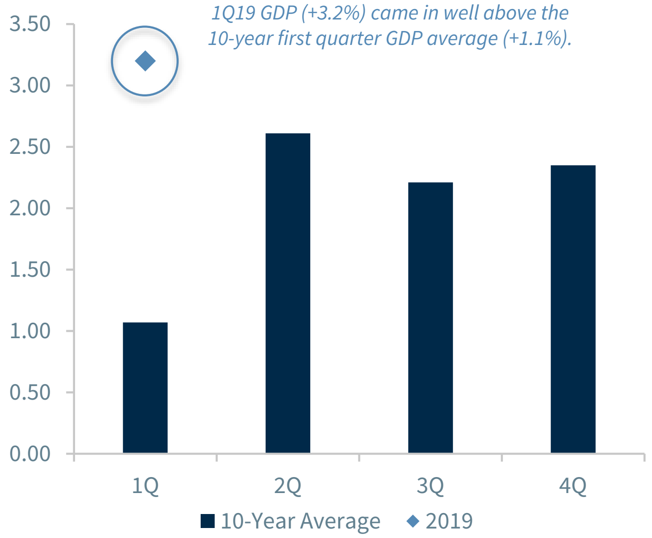
INTERNATIONAL

- The MSCI All Country World index (ACWI) is consistent with the U.S. market as it is back above its September highs on improved global economic expectations. However, while the U.S. has led the way, developed markets ex-U.S. (MSCI EAFE) and emerging markets (MSCI EM) are not quite back to their all-time highs yet.
- The U.S. dollar rose to the highest level in 23 months. The strength in the U.S. dollar has been primarily against the euro, which declined to the lowest level (1.11) since June 2017 on the back of disappointing economic data.
- **Focus of the Week:** Chinese manufacturing purchasing manager's indices (PMI) data will be published on April 30, which will provide further insights into the current strength of the world's most important emerging market. For much of the rest of Asia and Europe, equivalent data will be published on May 2.

* See Charts of the week on page 3.

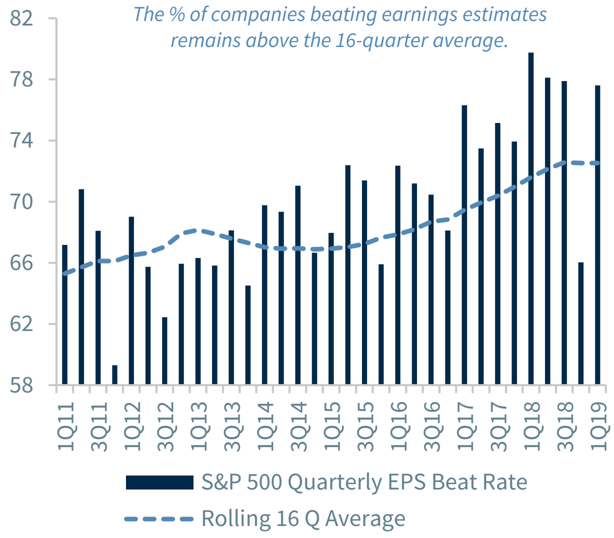
Charts of the Week

GDP Seasonally Strong Relative to History

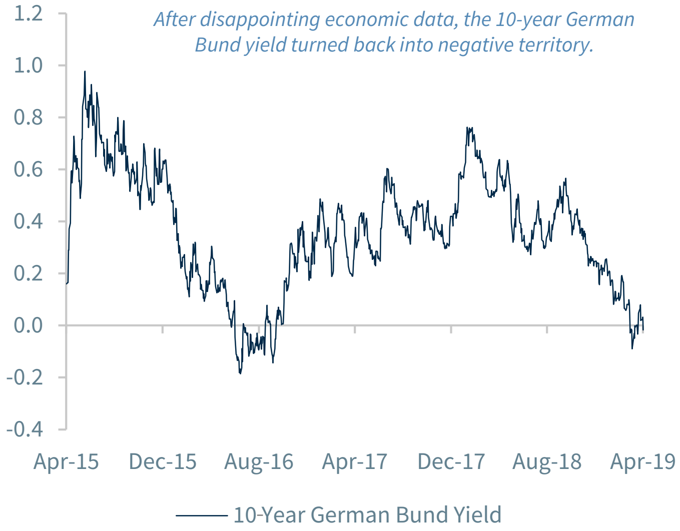


S&P 500 Rises to All Time Record High

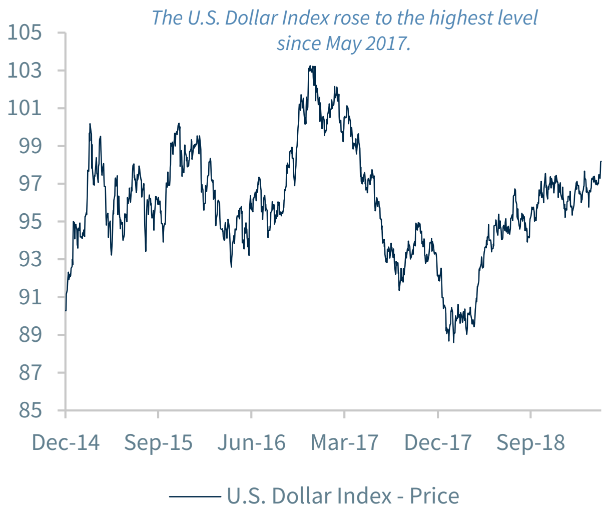
S&P 500 Beat Rates Remain Strong



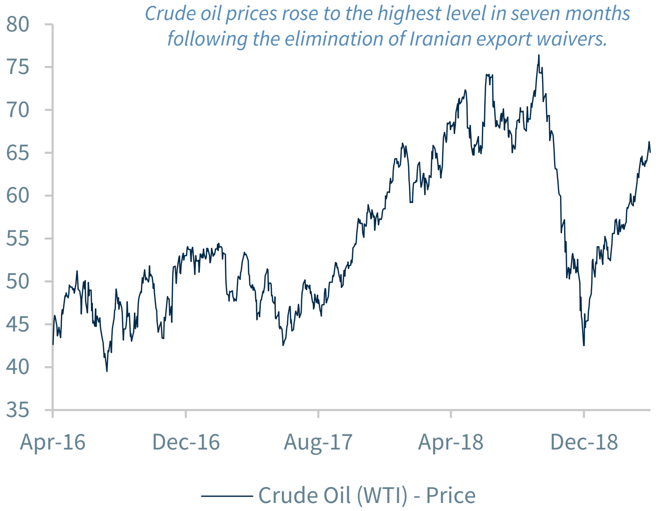
10-Year German Bund Yield Turns Negative



U.S. Dollar Hits Two-Year High



Crude Oil Continues to Move Higher



RAYMOND JAMES

Asset Class Performance | Distribution by Asset Class and Style (as of April 25)

Weekly Returns (as of April 25)

U.S. Equities (S&P 500 indices)

	Value	Blend	Growth
Large Cap	-0.1%	0.7%	1.5%
Mid Cap	-0.5%	0.1%	0.7%
Small Cap	-0.6%	0.2%	0.9%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.2%	0.4%	-0.7%
Mid Cap	0.3%	0.2%	-0.3%
Small Cap	0.6%	0.5%	-0.4%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	0.2%	0.3%
Invest. Grade	0.1%	0.2%	0.3%
High Yield	0.2%	0.2%	0.5%

Year to Date Returns (as of April 25)

U.S. Equities (S&P 500 indices)

	Value	Blend	Growth
Large Cap	15.8%	17.4%	19.0%
Mid Cap	18.3%	18.1%	18.0%
Small Cap	16.1%	14.6%	13.2%

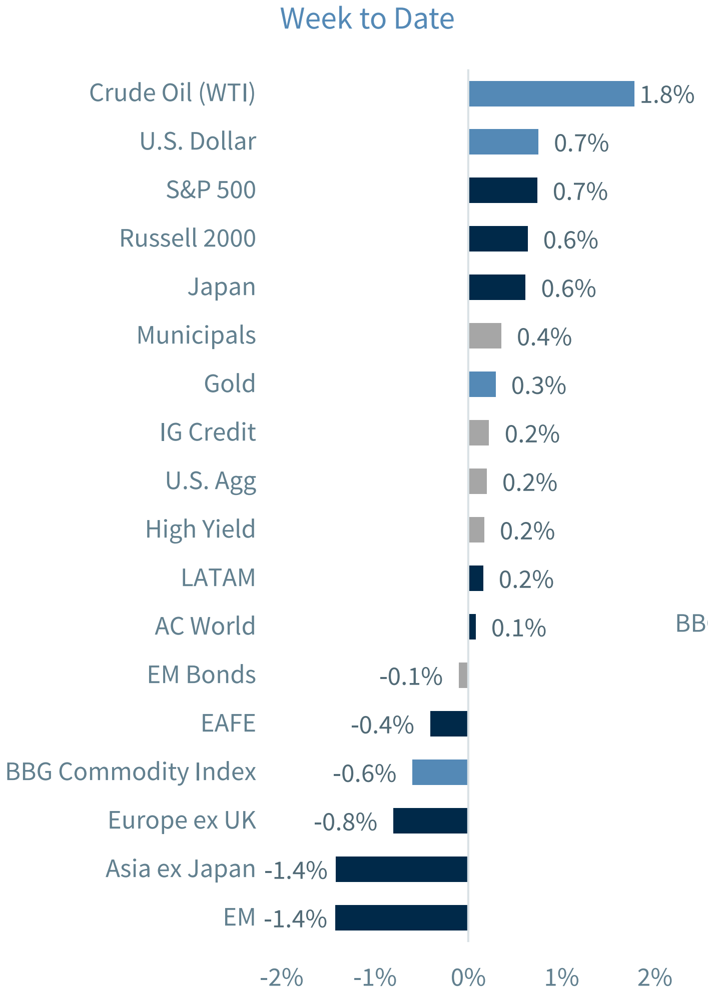
International Equities (MSCI indices)

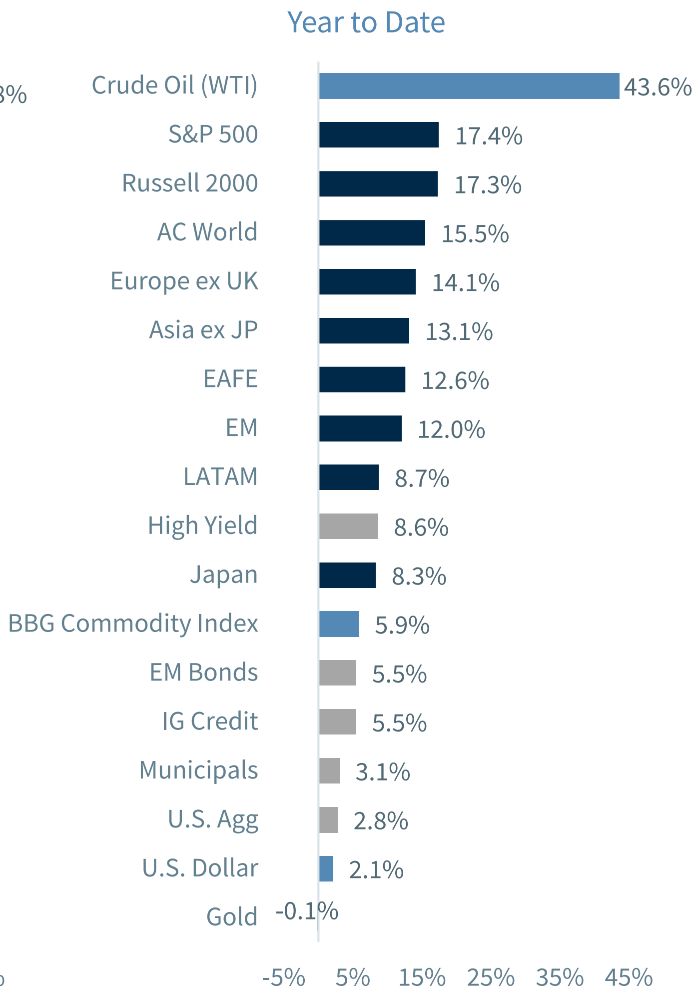
	Dev. Mkt	World	Emerg. Mkt
Large Cap	14.1%	15.9%	13.1%
Mid Cap	15.3%	16.8%	8.7%
Small Cap	15.4%	16.5%	9.5%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.8%	1.6%	2.2%
Invest. Grade	1.8%	4.1%	5.6%
High Yield	5.1%	8.4%	12.8%

Asset Class Performance | Weekly and Year to Date (as of April 25)





Commodities Equities Fixed Income

Weekly Data

Data as of April 25

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2926.2	0.7	3.2	16.7	10.9	14.2	10.8	15.8
DJ Industrial Average	26462.1	(0.4)	2.1	13.4	9.9	19.3	12.6	16.1
NASDAQ Composite Index	8118.7	1.5	5.0	22.4	15.9	19.9	13.1	19.0
Russell 1000	3115.1	0.7	3.3	17.8	9.3	13.5	10.6	16.0
Russell 2000	3915.8	0.6	2.4	17.3	2.1	12.9	7.1	15.4
Russell Midcap	5682.6	0.4	2.8	19.8	6.5	11.8	8.8	16.9

Equity Sectors:

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	354.5	(2.1)	2.1	11.9	(1.6)	6.3	3.6	9.0
Industrials	3959.4	0.8	3.0	17.3	12.7	12.2	9.8	13.4
Comm Services	169.1	1.9	7.3	21.9	9.3	0.7	2.3	5.0
Utilities	294.2	1.2	(0.3)	9.5	14.5	6.9	6.1	8.6
Consumer Discretionary	948.6	0.5	5.3	21.4	16.9	14.5	13.5	18.1
Consumer Staples	580.6	(0.8)	0.1	11.3	12.9	2.7	5.3	10.1
Health Care	1020.2	2.7	(4.0)	1.9	7.3	7.2	9.0	13.9
Information Technology	1383.8	1.3	6.5	27.2	22.9	24.3	18.8	17.8
Energy	496.5	(0.1)	1.4	17.1	(8.6)	0.1	(6.1)	3.3
Financials	455.7	0.4	6.7	15.1	(0.7)	12.9	9.1	12.0
Real Estate	221.3	0.7	(1.4)	15.0	18.7	4.3	6.3	12.7

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	2.4	0.0	0.2	0.8	2.1	1.2	0.7	0.4
2-Year Treasury Yield (%)	2.4	0.1	0.0	1.0	2.8	0.9	0.8	1.0
10-Year Treasury Yield (%)	2.5	0.3	(0.9)	2.2	7.0	0.1	2.3	3.0
Barclays US Corporate High Yield	6.5	0.2	1.3	8.6	6.9	7.9	4.8	10.5
Bloomberg Barclays US Aggregate	3.0	0.2	(0.2)	2.8	5.6	2.0	2.6	3.7
Bloomberg Barclays Municipals		0.4	0.2	3.1	6.1	2.6	3.5	4.5
Bloomberg Barclays IG Credit	3.6	0.2	0.3	5.5	6.8	3.5	3.6	6.4
Bloomberg Barclays EM Bonds	5.4	(0.1)	0.0	5.5	5.5	5.0	4.6	8.0

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	65.2	1.9	8.4	44.5	(4.1)	16.1	(8.3)	2.5
Gold ($/Troy Oz)	1280.8	0.4	(1.1)	0.1	(3.1)	1.1	(0.3)	3.5
Dow Jones-UBS Commodity Index	81.2	(0.6)	0.2	5.9	(9.0)	(0.7)	(10.1)	(3.1)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Dollar Index	98.2	0.7	0.9	2.1	7.7	1.2	4.3	1.5
U.S. Dollar per Euro	0.9	0.9	0.8	2.6	9.2	0.4	4.4	1.7
U.S. Dollar per British Pounds	1.3	(0.8)	(0.9)	1.3	(7.4)	(3.8)	(5.1)	(1.3)
Japanese Yen per U.S. Dollar	111.5	(0.4)	0.7	1.6	2.0	0.2	1.8	1.4

International Equities

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	521.9	0.1	2.8	15.5	5.7	11.5	7.6	11.8
MSCI EAFE	1910.9	(0.4)	2.2	12.6	(2.6)	7.5	3.2	8.6
MSCI Europe ex UK	1969.7	(0.8)	3.1	14.1	(2.6)	7.9	2.6	8.8
MSCI Japan	3143.8	0.6	1.4	8.3	(6.5)	6.9	6.7	7.4
MSCI EM	1076.7	(1.4)	1.9	12.0	(2.9)	11.6	4.4	8.1
MSCI Asia ex JP	673.2	(1.4)	1.5	13.1	(2.0)	12.6	6.9	10.3
MSCI LATAM	2757.7	0.2	0.7	8.7	(2.9)	11.3	(0.2)	4.0

Disclosures

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Sector investments are companies engaged in business related to a specific es presented herein are for illustrative purposes only and should not be considered as the sole basis for an investment decision. There can be no assurance that the future performance of any specific investment or investment strategy made reference to be advisors do not offer tax or legal advice. You should discuss any profitable or equal any corresponding indicated sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors. Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of a portfolio. The yield to worst (YTW) is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. MSCI EM Eastern Europe Net Return Index: The index captures large and mid cap representation across 4 Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. MSCI Japan Net Return Index: The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. MSCI EM Asia Net Return Index: The index captures large and mid cap representation across 8 Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float- adjusted market capitalization in each country. EPS: Earnings Per Share. LTM: Last Twelve Months. PE: Price Earnings Ratio. MSCI Europe ex UK: The MSCI Europe ex UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe*. With 343 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK. MSCI Asia ex JP: The MSCI Asia ex Japan Index captures large and mid cap representation across 2 of 3 Developed Markets (DM) countries* (excluding Japan) and 9 Emerging Markets (EM) countries* in Asia. With 955 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country.
MSCI LATAM: The MSCI EM Latin America ex Brazil Index includes large and mid cap representation across 4 Emerging Markets (EM) countries* in Latin America. With 55 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The Bloomberg Barclays Global Aggregate Negative Yielding Debt Market Value Index measures the stock of debt with yields below zero issued by governments, companies and mortgage providers around the world which are members of the Bloomberg Barclays Global Aggregate Bond Index. The Dow Jones UBS Commodity Index is a weighted index which tracks a wide range of 22 commodity futures contracts, including metals, agricultural products, energy, and livestock. The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. Russell 2000 Total Return Index: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest U.S. companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends. Russell 1000 Total Return Index: This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends. Russell Mid Cap Total Return Index: This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends. The Russell Midcap Index is a market capitalization weighted index comprised of 800 publicly traded U.S. companies with market caps of between $2 and $10 billion. The U.S. dollar index (USDX) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners. Dow Jones-UBS Commodity Index tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. S&P 500 Total Return Index: The index is widely regarded as the best single gauge of large-cap U.S. equities. The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The Nasdaq Composite Index is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange. A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond. The German government uses bunds to finance its spending, and bonds with long-term durations are the most widely issued securities. Bunds are auctioned only with original maturities of 10 and 30 years. An investor could lose all or a substantial amount of their investment. Investors should consider hedge funds as a supplement to an overall investment strategy. Commodities trading is generally considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the fund's investments in commodities are cyclical economic conditions, sudden political events, changes in sectors affecting a particular industry or commodity, and adverse international monetary policies. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. No investment strategy can guarantee success. There is no assurance any of the trends mentioned will continue or that any of the forecasts mentioned will occur. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital. Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default or principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Investing in emerging markets can be riskier than investing in well-established foreign markets. Investing involves risk and investors may incur a profit or a loss. U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

Data sources: FactSet and Bloomberg.

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