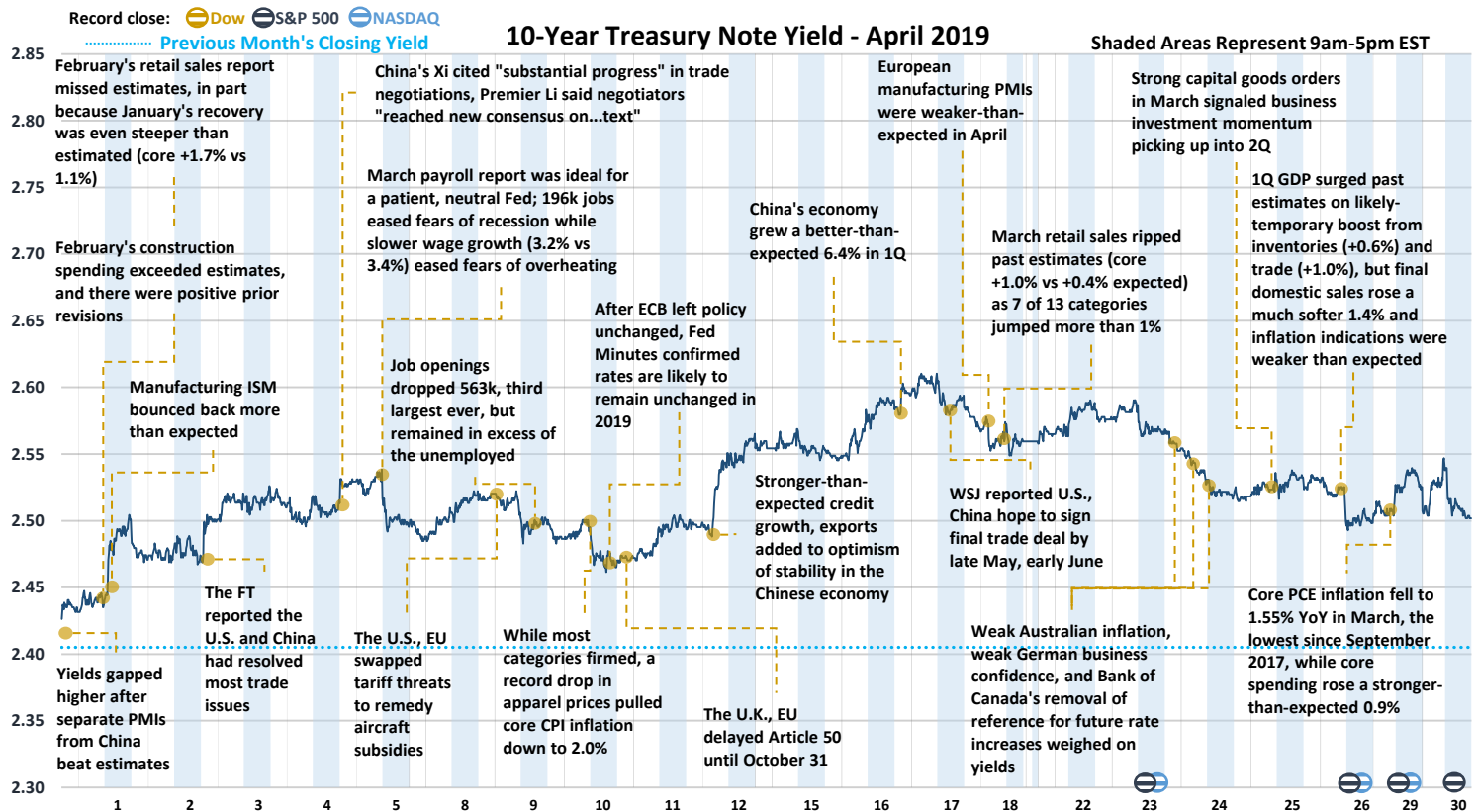


Monthly Review

April 2019

VINING SPARKS

Stocks Climbed Back to Records on Corporate Earnings and Better Data, While Low Inflation Held Yields in Check



Stocks Set New Record Highs on Earnings and Signs of More Stable Growth, While Weak Inflation Continued to Weigh on Fed Expectations and Treasury Yields

Markets: The S&P 500 rose 3.9% and set four new all-time highs in April, the first since September, as corporate earnings season started off better than expected and economic data offered hopes of stability, both at home and abroad. Treasury yields, however, rose more modestly as weak inflation reinforced expectations for the Fed to remain patient. The month started strongly after several reports from China showed activity picked up more than expected and the U.S. jobs market recovered from February's disappointment. But while overall economic activity expanded a better-than-expected 3.2% in 1Q, consumer spending rose just 1.2%. Still, retail sales for March surpassed estimates, stirring hopes for better momentum heading into 2Q. However, the bond market remained focused on inflation, which proved weaker than expected again in April. And while Eurozone growth in 1Q beat estimates, other indicators point to continued weakness in the region. For the month, the 2-year yield ended up just 0.6 bps at 2.27% as weaker inflation left Fed Funds futures pricing in a greater likelihood of a rate cut than a rate hike. The 10-year yield rose 9.7 bps on signs of more stable growth to close at 2.50%, leaving the 2s10s spread at 23.4 bps, the widest since November.

Consumer: The consumer's contribution to 1Q GDP was the smallest in four quarters, but several reports offered hopes of a stronger showing in 2Q. Both retail sales and personal spending exceeded estimates in March after some unusually volatile data around the turn of the year. Payroll growth rebounded in March and wage growth, while 0.2% slower, remained solid at 3.2%. ADP reported private job gains of 275k in April, 95k more than expected and near the top end of the range for the cycle. Despite a sizeable pullback in job openings in February, the number of openings has exceeded the number of unemployed for 12 months in a row. And although the University of Michigan's consumer sentiment index cooled in April, the Conference Board's index recovered more than expected on widespread strength.

Private Investment: The outlook for investment remained uncertain as indications for both business spending and housing were mixed. Business fixed investment rose 2.7% in 1Q, although most of the gain came from another strong quarter for intellectual property. Investment in structures contracted for a third quarter and equipment spending rose just 0.2%, the weakest since 3Q 2016. Accumulation of inventories, however, was surprisingly strong and added 0.7% to 1Q GDP. The forward looking indicators continued to paint an unclear picture. Small business confidence recovered less than expected and the ISM reported a better manufacturing report for March (spoiler, April's was weaker-than-expected) but weaker services activity. However, capital goods orders rose by the most in eight months.

External Trade: Steady exports and sluggish imports pushed February's trade deficit to an eight-month low in February and contributed 1.0% to 1Q GDP, trade's third largest quarterly contribution of the cycle.

Inflation: Inflation pressures remained muted as both main measures of core consumer price increases slowed. Despite firmness in other categories, weakness in apparel pulled core CPI down to 2.0%. More important, the Fed's preferred PCE measure was weak again and the YoY rate slowed to 1.6%, the slowest since September 2017.

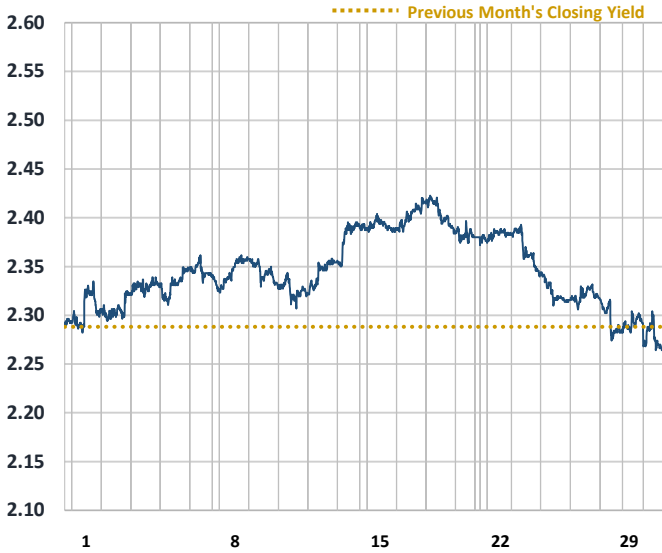
Monetary Policy: The Fed kicked off a two-day meeting on the final day of April that resulted in a whipsawing announcement on May 1. Chair Powell said he expects the recent decline in inflation that was highlighted in the Statement would prove to be transient. The ECB also met and, while the official Statement was uneventful, President Draghi said that slower growth had spilled over into 2019, inflation pressures remained muted, and the risks remained tilted to the downside. The BoJ updated its forward guidance to say rates will remain unchanged through at least "spring 2020" and forecasted inflation to rise to just 1.6% by March 2022.

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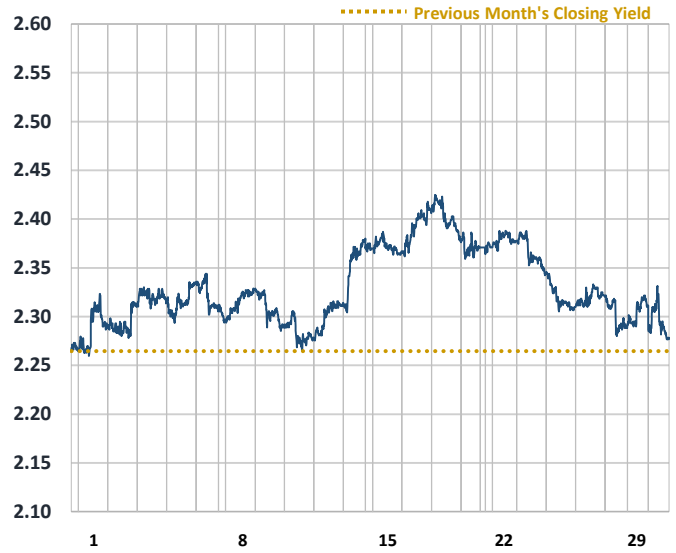
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2-Year Treasury Note Yield - April 2019



5-Year Treasury Note Yield - April 2019



2-Year Treasury Note Yield - Last 12 Months



5-Year Treasury Note Yield - Last 12 Months



2-Year Treasury Note Yield - Last 5 Years



5-Year Treasury Note Yield - Last 5 Years

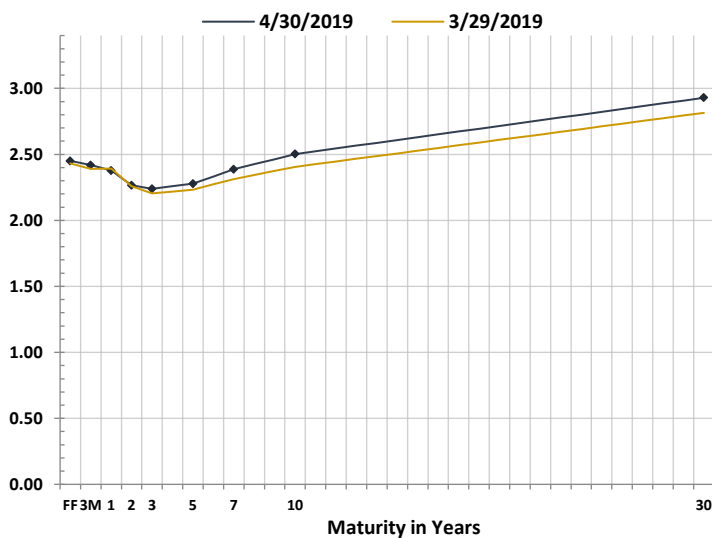


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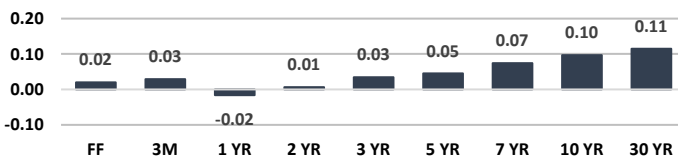
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Treasury Month-Over-Month



Month-Over-Month Change in Treasury Yields



Global Stock Performance

	Value	MTD Change	QTD Change	YTD Change
Dow Jones	26,593	2.56% ↑	2.56% ↑	14.00% ↑
S&P 500	2,946	3.93% ↑	3.93% ↑	17.51% ↑
Nasdaq	8,095	4.74% ↑	4.74% ↑	22.01% ↑
Stoxx Europe 600	391	3.23% ↑	3.23% ↑	15.90% ↑
China CSI 300	3,913	1.06% ↑	1.06% ↑	29.98% ↑
Nikkei 225	22,259	4.97% ↑	4.97% ↑	11.21% ↑

Global Sovereign Debt Performance

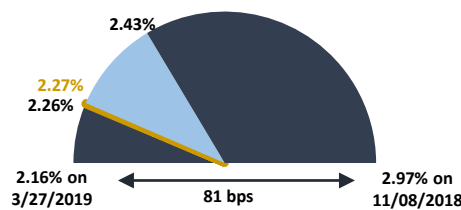
	Yield	MTD Change (in bps)	QTD Change (in bps)	YTD Change (in bps)
U.S. 2-year	2.27%	0.6 ↑	0.6 ↑	-22.2 ↓
U.S. 5-year	2.28%	4.5 ↑	4.5 ↑	-23.3 ↓
U.S. 10-year	2.50%	9.7 ↑	9.7 ↑	-18.2 ↓
German 10-year	0.01%	8.3 ↑	8.3 ↑	-22.9 ↓
U.K. 10-year	1.19%	18.5 ↑	18.5 ↑	-9.2 ↓
French 10-year	0.37%	5.0 ↑	5.0 ↑	-34.2 ↓
Italian 10-year	2.56%	6.7 ↑	6.7 ↑	-18.7 ↓
Japanese 10-year	-0.04%	4.1 ↑	4.1 ↑	-4.3 ↓

Commodity Performance

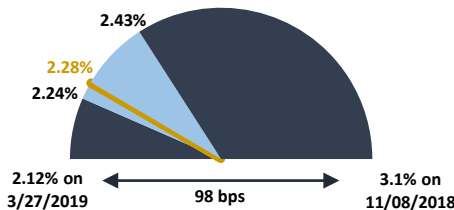
	Value	MTD Change	QTD Change	YTD Change
WTI Crude	\$ 63.91	6.27% ↑	6.27% ↑	40.74% ↑
U.S. Dollar	97.48	0.20% ↑	0.20% ↑	1.36% ↑
Gold Spot	1,284	-0.68% ↓	-0.68% ↓	0.09% ↑
Commodity Index	80.57	-0.63% ↓	-0.63% ↓	5.03% ↑

Treasury Notes Intraday Ranges: 52-Week Yield Range / Monthly Yield Range / Last Traded Yield

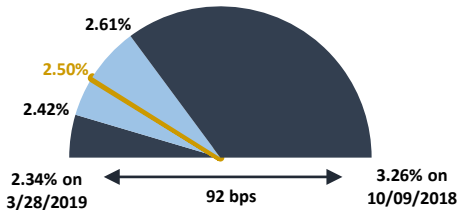
2-Year Treasury



5-Year Treasury



10-Year Treasury



Nonfarm Payrolls

March 196k



Payrolls rebounded in March from February's disappointing 33k gain

Unemployment Rate

March 3.8%



Unchanged

Existing Home Sales MoM

March -4.9%



New Home Sales MoM

March 4.5%



Core Retail Sales

March 1.0%



Expected +0.4%

Consumer Confidence

April 129.2



Up 5 pts
Second strongest in five months

ISM Non-Manufacturing

March 56.1
-3.6 pts



ISM Manufacturing

March 55.3
+1.1 pts



Manufacturing Production

March 0.0%



Core Capital Goods Orders

March 1.3%



Strongest since July and a sign of positive acceleration into 2Q

Trade Balance

February -49.4B
Up \$8.8 B



Eight-month low

Core PCE YoY

March 1.6%



Down 0.15%
Lowest since September 2017

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