

MONTH IN REVIEW

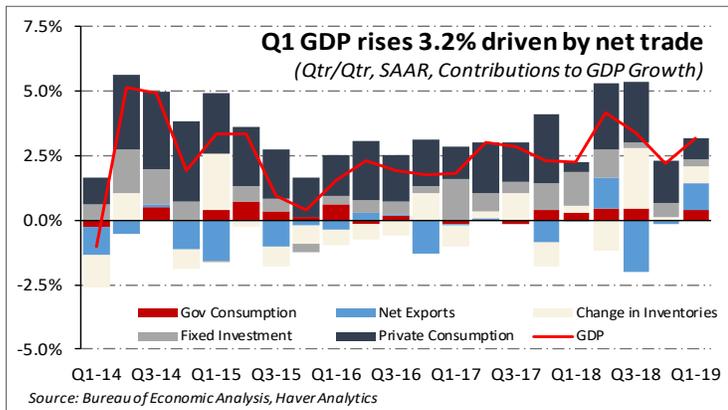
APRIL 2019: TIT-FOR-TAT

Q1 GDP beat the highest expectations, but beneath the headline number, consumption weakened suggesting the growth level may be unsustainable throughout the year. Expect Q1 GDP to be revised lower in the second revision. President Trump's administration allowed 180-day waivers to expire that exempted eight countries from US sanctions on Iranian crude. This followed the US labeling Iran's Islamic Revolutionary Guard Corps a "foreign terrorist organization." In return, Iran threatened to close the Strait of Hormuz, through which gulf oil must pass to global markets. The announcement sent oil prices temporarily higher. The US and EU exchanged tariff threats after WTO rulings found both sides providing illegal advantages to domestic aircraft makers. US Trade Representative Robert Lighthizer proposed \$11.2bn of tariffs on EU goods as compensation for providing Airbus with illegal subsidies; the EU retaliated with \$20bn worth of tariffs on US goods for its failure to end illegal tax breaks to Boeing. The European Commission offered the UK a six-month extension on the UK's exit from the EU cautioning it not to waste time.

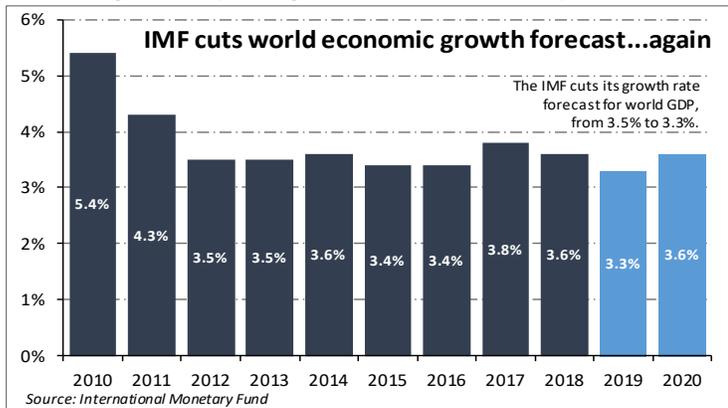
ECONOMICS

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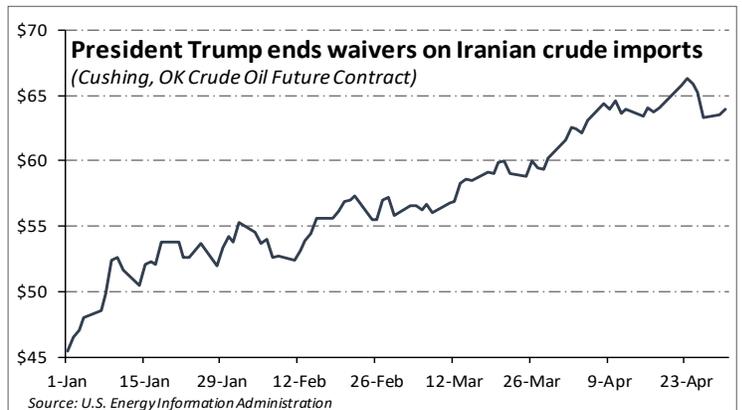


Despite reports of slowing growth, Q1 GDP beat even the rosier of forecasts. The 3.2% annual qtr/qtr growth was driven largely by net trade and inventories. A sharp drop in imports were largely responsible for net exports adding more than 1% to growth. (Imported goods fell \$32.9bn over the quarter.)

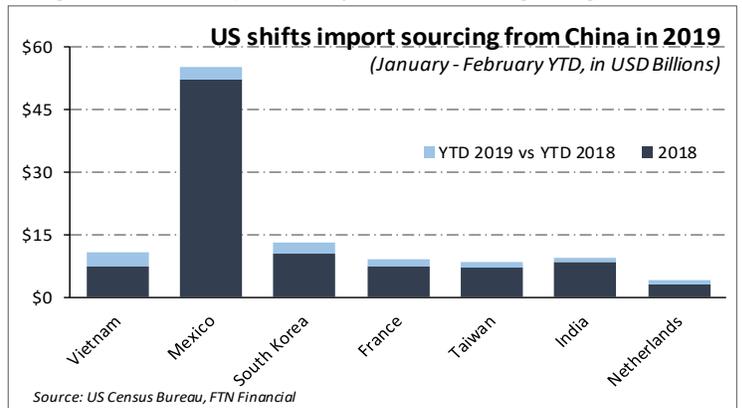


The IMF further downgraded its 2019 global growth for April's World Economic Outlook update. It projects global expansion weakening from 2018's 3.6% to 3.3% in 2019, followed by a "delicate" recovery back to 3.6% in 2020. 2019 growth is supported by "significant policy accommodation in major economies" and 2020's "delicate recovery" depends on Argentina, Turkey, and other "stressed economies" rebounding.

Disclosures are on the last page of this report.

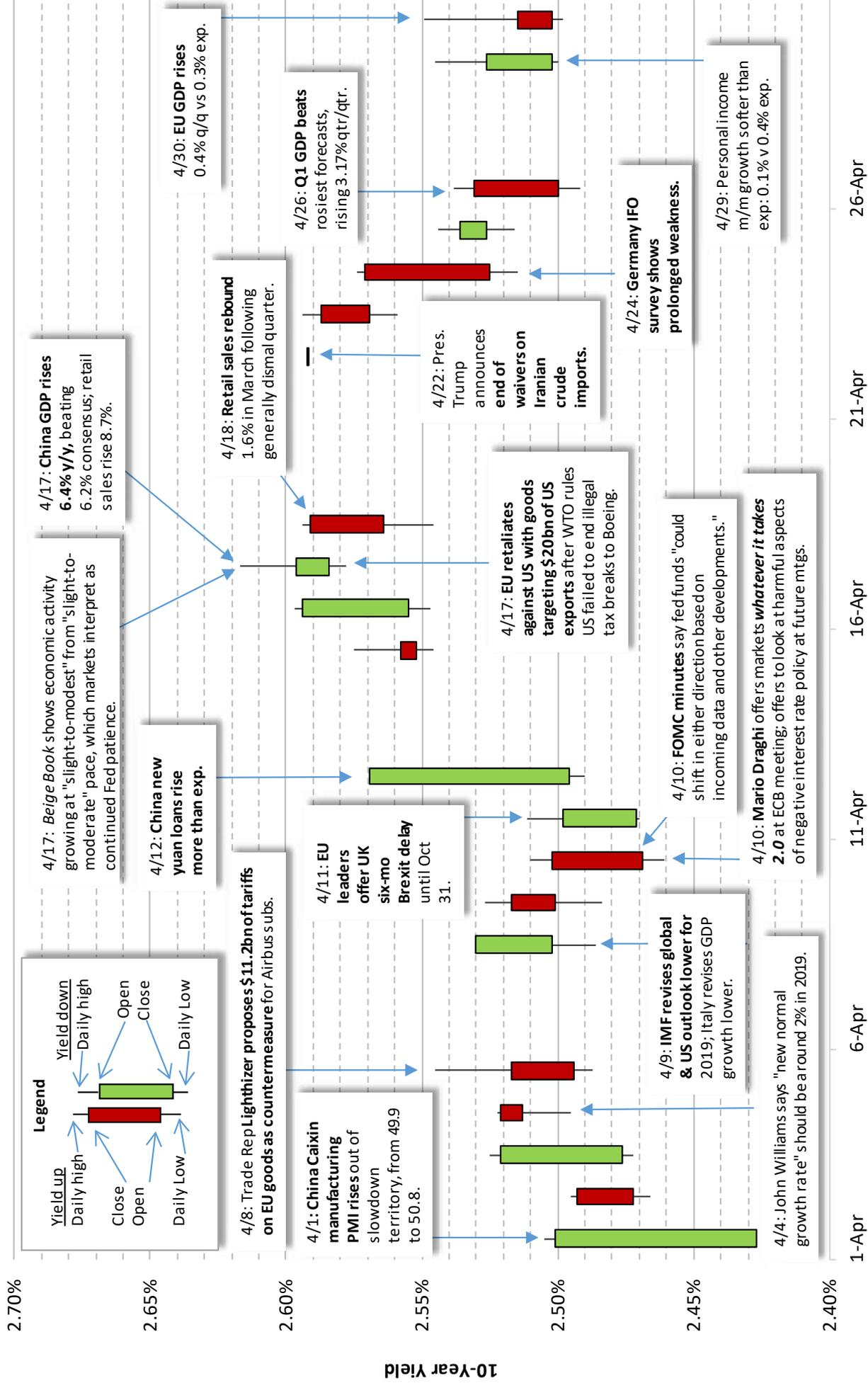


Oil prices rose over the month causing people to worry over inflation expectations and breakevens, which are important to the FOMC. Escalating tensions in Venezuela didn't help ease concerns over supply risk. Big oil price changes will affect core prices if they are sustained long enough.

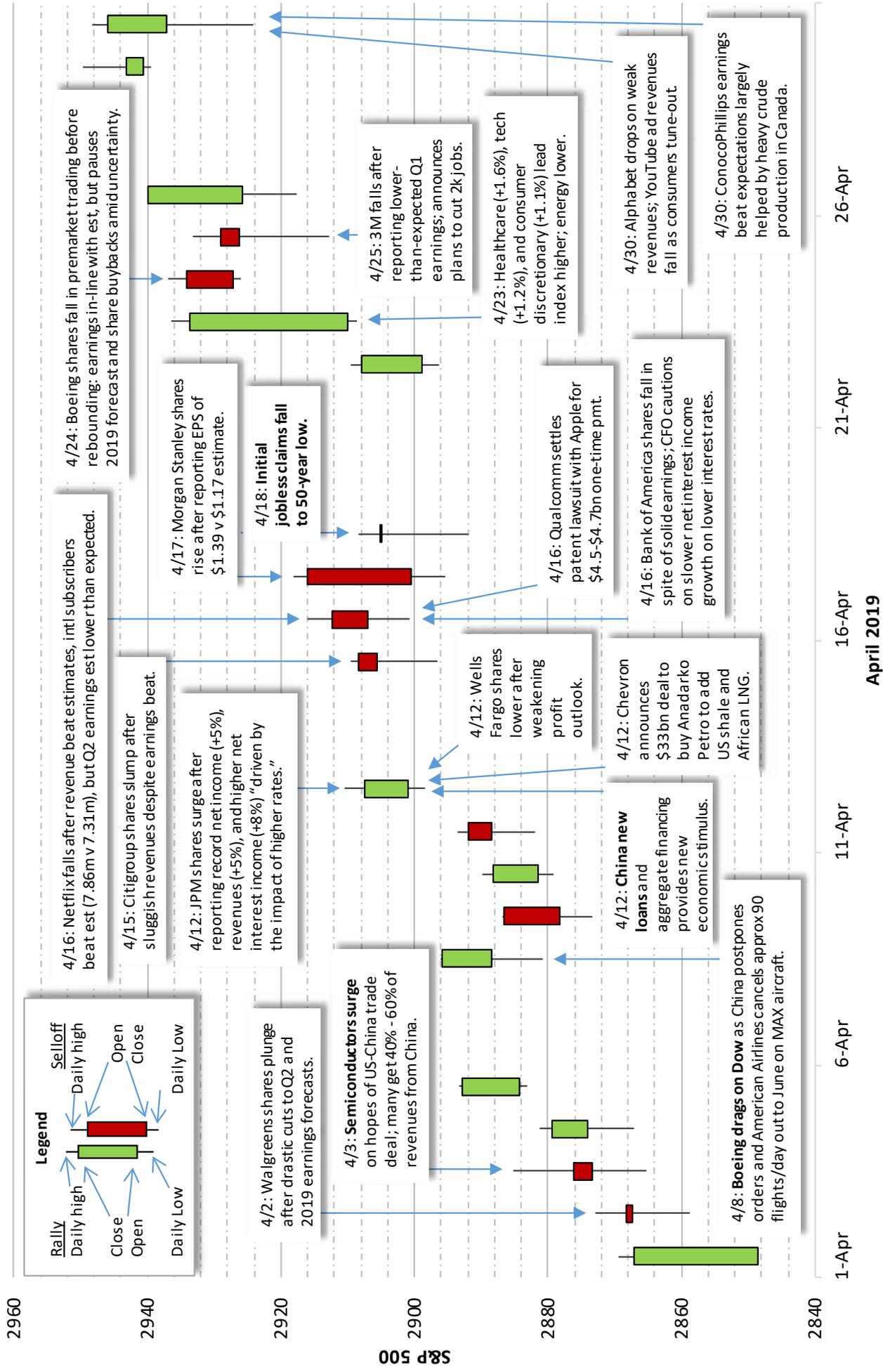


Last year, the US imported \$539.7bn of Chinese goods, a 6.7% increase from 2017, despite tariffs. Imports jumped in Q3 after the White House announced tariffs of 25% on \$50bn of goods and 10% on \$200bn of goods, effective in Q4. In the first two months of this year, importers sourced \$10.1bn of goods from other countries, with Vietnam, Mexico, South Korea, and France benefiting the most.

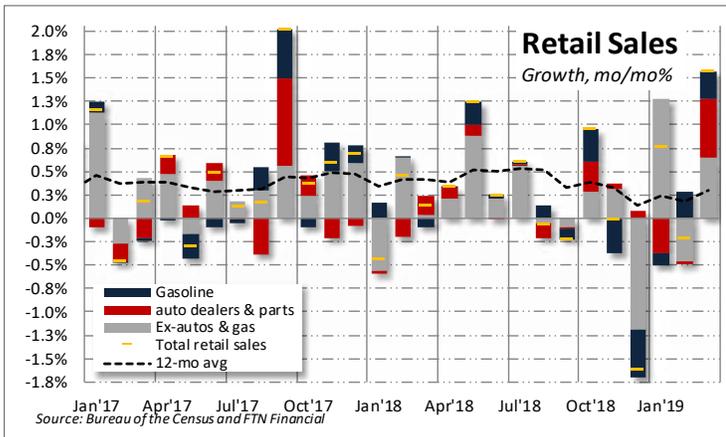
MARKET-MOVING EVENTS: 10-YEAR TREASURY



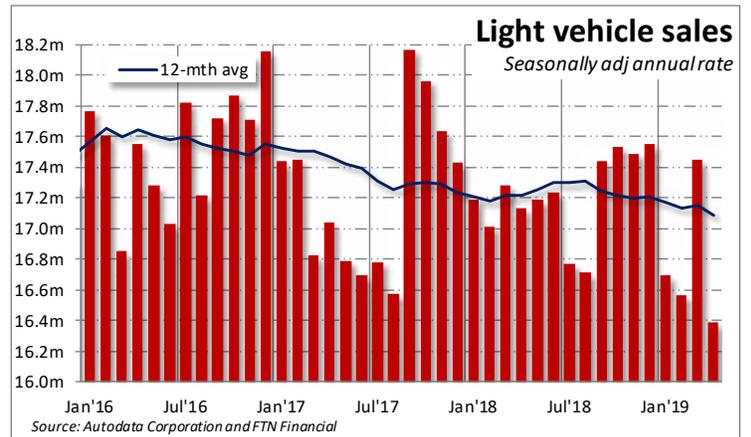
MARKET-MOVING EVENTS: S&P 500



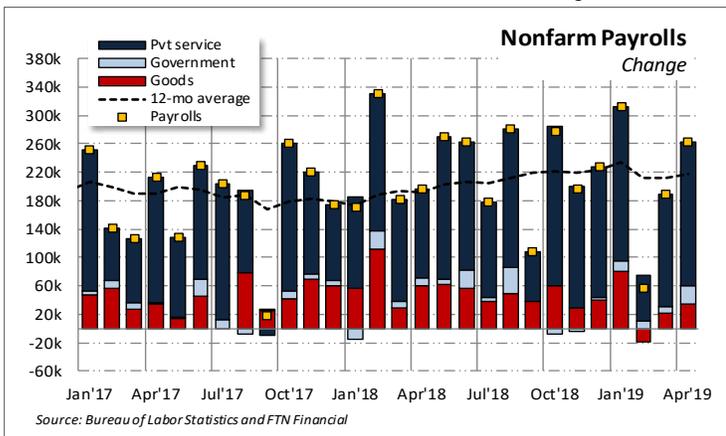
DATA WATCH: KEY ECONOMIC INDICATORS



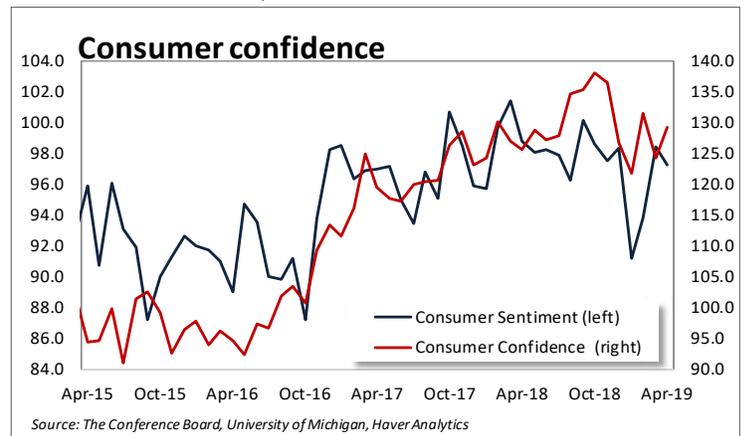
Retail sales rebounded in March after February's drop. Sales rose 1.6% over the month led by autos and gasoline. Ex-autos & parts sales rose 1.2% and ex-gas and auto sales rose 0.9% with the three largest increases going to clothing and accessories, miscellaneous, and furniture and home furnishings.



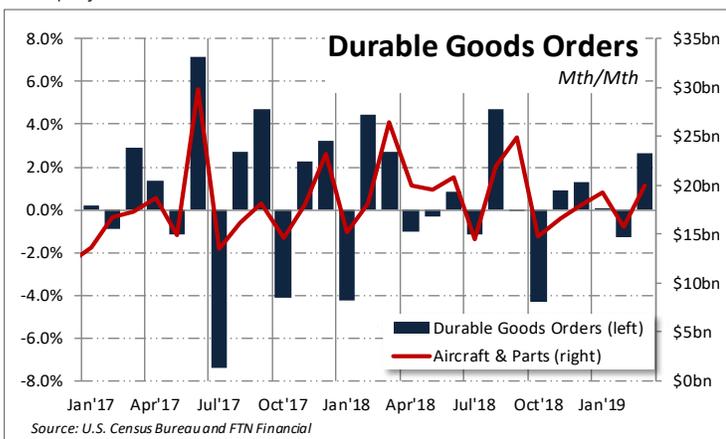
New vehicle sales slowed drastically in April. Rising prices and "harsh financing conditions" added to increased inventory levels, according to Edmunds. Zero percent financing offers were more difficult to find this year compared to 2018 and 2017, but Edmunds expects manufacturers & dealers to restart incentives.



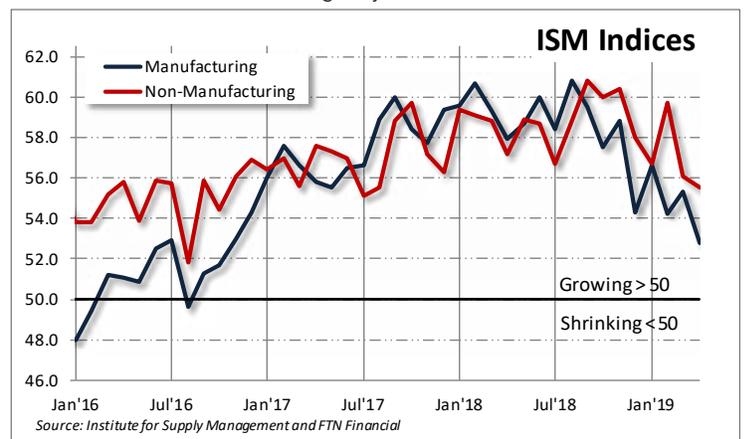
Nonfarm payrolls beat expectations with 263k jobs added in April with the bulk going to professional and business services (+76k) and administrative services (+53k). Manufacturing jobs were little changed (+4k) and retail trade fell. The unemployment rate fell to 3.6%, its lowest level since December 1969.



Consumer Confidence rebounded in April, rising from 124.2 to 129.2, led by a turnaround in consumers' attitude about present and future conditions. (Consumers assessed the labor market as more upbeat with more job openings.) Consumer Sentiment moved marginally lower, however, from 98.4 to 97.2.



March preliminary durable orders rose 2.6%, led by a \$4.3bn rise in aircraft & parts, from \$15.7bn in February to \$20.0bn. *The WSJ* reported Boeing's more than 600 suppliers "is not an easy supply chain to switch on and off," which may mean orders were already baked-in before Boeing 737 Max was grounded.



April's Manufacturing ISM fell 2.5 points from 55.3 to 52.8. While still in expansionary territory, four of five headline components fell, with new orders posting the largest decline. New export orders and imports sub-indices both fell into contractionary territory of 49.5 and 49.8, respectively.

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