



THE WEEK IN REVIEW

Global stock markets experienced light trading volume early in the week as investors were hesitant to take positions ahead of two central bank meetings and the release of first quarter U.S. GDP. Monday was the second lowest volume day for U.S. stocks in 2016. Stocks fell after the Federal Reserve and Bank of Japan announced they were not changing their monetary policies and U.S. GDP was weaker than expected. Investors' focus on the central bank meetings and U.S. GDP muted the impact of another strong week for oil. The continuation of the oil market's rally brought the price of crude above \$46 per barrel for the first time since November. Crude oil finished the week up over 5%.

The U.S. economy expanded at a 0.5% seasonally adjusted annual rate in the first quarter, down from 1.4% in the previous quarter, and below expectations of 0.7% growth. It was the weakest quarter since the first quarter of 2014 when the economy contracted 0.9%. Persistently high inventory levels, weaker consumer spending, and a decline in business investment constricted growth. High inventory levels led businesses to purchase fewer goods, detracting from GDP growth for a third consecutive quarter. The ratio of inventory to sales reached 1.41% in February, the highest level since May 2009. Consumer spending, which generates more than two-thirds of economic activity, rose 1.9% compared to 2.4% in the fourth quarter. Weakness in energy and mining continue to weigh on business investment, which declined 5.9%.

Fed officials kept interest rates unchanged at their April meeting, however, the policy-setting committee's language changed slightly from their March statement. The Fed removed global economic and financial developments as risks, and added that the economy "appears to have slowed" and household spending has moderated. The statement did not give any indication where the committee stands on raising rates at their next meeting in June, but investors' expectation for a June rate hike increased to 15% after the statement, up from 1.2% before the meeting, according to federal-funds futures calculated by CME Group.

The Bank of Japan also decided to leave their policy unchanged this week. Investors were expecting additional stimulus from the BOJ through either an increase in asset purchases or lowering interest rates further into negative territory. Following the BOJ's surprising announcement, Japan's Nikkei 225 Stock Index dropped 3.6% and the yen surged 3.3% to an 18-month high against the dollar. Japan's stock market was closed on Friday for a national holiday and the Nikkei Index ended the week down 5.2%.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,773.64	-1.28%	2.00%	-0.37%
NASDAQ	4,775.36	-2.67%	-4.63%	-3.36%
S&P 500 LargeCap	2,065.30	-1.26%	1.05%	-0.97%
S&P 400 MidCap	1,461.65	-1.04%	4.51%	-2.57%
S&P 600 SmallCap	694.56	-1.07%	3.40%	-1.20%
MSCI EAFE	1,693.18	-0.59%	-1.35%	-12.45%
MSCI Emerging Markets	844.06	-0.13%	6.29%	-20.34%

Barclays Aggregate US	0.25%	3.29%	2.52%
Bloomberg Non-US Govt Bond	-0.04%	6.30%	1.25%
Bloomberg US Treasury Index	0.24%	2.92%	2.37%
Bloomberg High Yield Index	0.60%	7.61%	-0.57%

FTSE/NAREIT All REIT Index	-0.04%	2.97%	1.58%
Bloomberg Commodity Index	2.97%	8.86%	-17.02%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.22%	0.23%	0.01%
2-Year Treasury	0.77%	0.78%	0.56%
5-Year Treasury	1.28%	1.29%	1.43%
10-Year Treasury	1.83%	1.81%	2.06%
30-Year Treasury	2.66%	2.60%	2.76%
Municipal Bond Yields (10 Yr)	1.65%	1.77%	2.09%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified. Returns include reinvestment of dividends, if any and there is no guarantee they will continue.

UPCOMING WEEK

Economists are anticipating another decline in job growth, with forecasts of 203,000 jobs in April, while the unemployment rate is expected to remain at 5%. The Institute for Supply Management's reports on manufacturing and service industries are the other main economic data releases next week. Manufacturing is projected to have declined from the pickup in March, while growth in service industries is forecasted to have risen in April after a slow start to 2016.

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