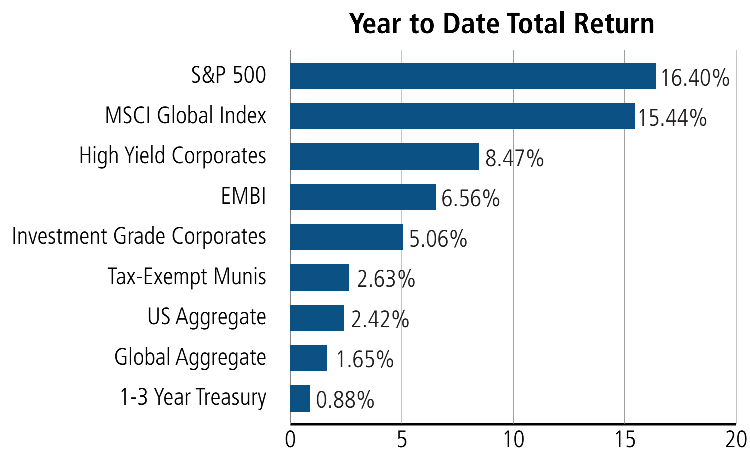
Week Ending **April 18, 2019**

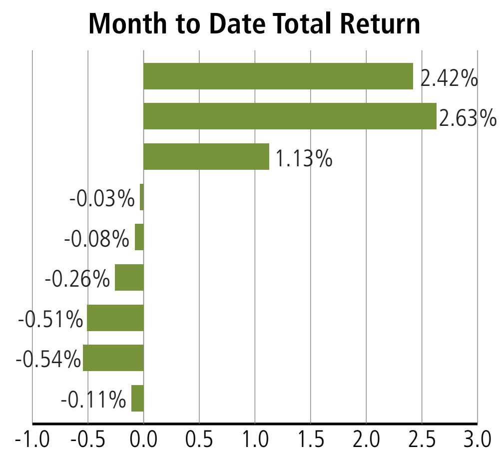
"DEU" You Believe It?

Economic Overview:

Lately, investors have worried that weakness in the European economic data, specifically Germany's industrial data, was due to a Chinese slowdown. Through February 2019, industrial orders in Germany were down 8.2% year-over-year, the largest contraction since 2009. Good news: the Chinese economy grew 6.4% in Q1 2019 compared to the same quarter a year ago, according to official estimates released this week. Don't trust the official numbers? We also see signs of a recovery across Chinese data. Specifically, the Purchasing Managers' Index for the manufacturing sector returned to a level above 50 in March, indicating expansion. With the Chinese economy stabilizing, it's possible that Germany's economic backdrop improves as well. With the April 2019 ZEW survey of German economic growth expectations returning to its highest level in a year this week, it seems we might be on to something. Stay tuned.

Total Returns by Asset Class





Highlights of the Week:

- **Currencies:** Weaker than expected economic data from Germany and France weighed on the euro this week. The manufacturing Purchasing Manager's Index (PMI) numbers for the eurozone's two largest economies indicated a contraction in industrial activity. Despite the relatively stronger services sector data, the euro fell by about 0.5% on the week.

- **Corporates:** This week saw new investment grade issuance of $18 billion from eight different issuers. BMW U.S. Capital LLC. came with the largest deal at $2.8 billion across four tranches. April tends to be a quieter month for new supply as earnings season arrives. Demand for new deals continues to be strong with spreads tightening on average roughly 17 basis points from initial price talk to launch. Most deals have tightened moderately in secondary markets.

- **High Yield:** One of the first things bonds investors learn is the relationship between bond prices and interest rates – when rates go up, prices go down. High yield must have missed that lesson because the asset class has returned +1.0% so far in April despite higher treasury rates. When it comes to high yield, prudent investors should consider supply, demand, credit fundamentals and valuations in addition to interest rate moves when they are making investment decisions.

- **Equities:** The U.S. equity market posted a modest loss for this holiday-shortened week, snapping a three week winning streak. A full week of corporate earnings results drove some large price swings from an individual stock perspective, but the broad market maintained a calmer tone after posting muted daily changes. The best performing sectors this week were financials and industrials, while the worst performing sectors were health care and real estate.