WEEKLY MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks were lower last week as high profile technology stocks such as Intel and particularly Apple, missed estimates, prompting investors to sell and lock in profits after the recent market rally.

a) ***Dow Jones -1.28% MTD +0.62% YTD +2.83%*** b) ***S&P 500 -1.24% MTD +0.39% YTD +1.74%***
c) ***Russell 2000 -1.37% MTD +1.57% YTD +0.03%***

Drivers: I) ***Weaker than expected earnings from tech giants Apple Inc. and Intel Corp. triggered a selloff in tech shares***, with Apple losing 14% and Intel dropping 6.5% in April. Shares of the iPhone maker were further battered after billionaire Carl Icahn last week revealed he sold his entire stake in the iPhone maker over China worries.

II) ***U.S. GDP, slowed to a 0.5% annual growth rate in the first three months of 2016.*** The U.S. had grown 1.4%, 2% and 3.9% in the prior three quarters. ***Export-heavy manufacturers faced a tougher global sales environment and U.S. energy producers had to deal with cheap oil*** which led to a corporate retreat in the January-to-March period. Companies cut spending on structures such as mining rigs by nearly 11% and investment in new equipment fell by 8.6%.

III) ***New home sales dipped 1.5% to a seasonally adjusted annual rate of 511,000 in March***. The March data missed economist forecasts of a 518,000 pace, but February's data was revised up by about the same amount, to a 519,000 rate. March's pace was 5.4% higher compared to a year ago, and ***it marked the fourth consecutive month of sales above a 500,000 pace***, the first time that's happened since early 2008.

IV) ***U.S. consumer confidence in April fell as Americans became warier of where the economy is headed.*** The Conference Board said its index fell to 94.2 from 96.2 in March, missing economist forecast for a reading of 95.8. Consumers' assessment of current conditions improved, suggesting no slowing in economic growth. ***Their expectations regarding the short-term have moderated, suggesting they do not foresee any pickup in momentum.***

V) ***Equity prices in April are mostly higher, with Small-Cap, Value, Financials and Energy leading equity price performance. The laggards for the month are Large-Cap and Growth Stocks along with Information Technology.***

Capitalization: ***Large Caps +0.54%*** (YTD +1.72%), Mid-Caps +1.06% (YTD +3.33%) and ***Small Caps +1.57%*** (YTD +0.03%). Style: ***Value +1.83%*** (YTD +7.96%) and ***Growth +0.56%*** (YTD +1.55%). Industry Groups (Leaders): Telecommunication -2.09% ***(YTD +13.99%),*** Utilities -2.42% (YTD +12.69%), ***Energy +8.95%*** (YTD +12.60%), Consumer Staples +2.55% (YTD +8.89%), Industrials +1.22% (YTD +6.48%), and Consumer Discretionary +0.61% (YTD +2.09%). (Laggards): Technology -5.00% (YTD -1.17%), ***Financial Services +3.38%*** (YTD -1.88%), Healthcare +2.90% (YTD -2.60%) and ***Information Technology -5.04%*** (YTD -2.64%).

EUROPEAN EQUITIES

The MSCI Europe index was down last week falling -0.05%. European equities were lower as the investors grappled with the central bank announcements from last week, how the legacy of these decisions would continue to impact the markets, and the U.S. dollar's weakness.

Drivers: I) *German business sentiment deteriorated unexpectedly in April, albeit only slightly, as companies were less satisfied with their current business situation*, the Ifo Institute reported last week. ***The Ifo's business climate index slipped to 106.6 in April from 106.7 in March, bringing it further below levels seen at the end of last year.*** Economists had forecast an increase to 107.0.

II) ***Surveys of purchasing managers released last week indicate that private-sector activity slowed slightly as the second quarter got under way***. The survey detected few signs of a pickup over coming months, with growth of new orders and employment remaining subdued. ***Markit said a headline measure of activity based on***

responses from 5,000 companies around the euro-zone fell to 53.0 in April from 53.1 in March. Economists had expected a slight rise to 53.2.
III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index fell -0.05% for the week (MTD +2.44% YTD -0.12%).***

ASIAN EQUITIES

Asian equity markets were lower last week due to disappointment over the Bank of Japan holding back on additional stimulus and worries about global economic growth. The Dow Jones Asia Pacific Index was down -0.78% for the week, (MTD +2.09), (YTD -0.21%).

Drivers: I) ***The Bank of Japan's decided to stand pat which confounded market expectations that it would do more to try to stimulate Japan's stagnant economy.*** Instead of expanding its monetary easing measures, the central bank voted to keep its current level of asset purchases unchanged and leave interest rates on hold. However, it did announce a ¥300 billion ($2.69 billion) lending program to support banks in Japan's Kyushu region, which was struck by twin earthquakes earlier this month.

II) ***Japan's consumer prices fell for the first time in five months in March, underlining the Bank of Japan's struggle to spark sustained price increases and likely adding to expectations that the central bank could take further easing action***. ***Core consumer prices***, which exclude volatile prices of fresh food, ***fell 0.3% in March*** from a year earlier, according to government. Economists polled by the Nikkei and the Wall Street Journal had expected the core CPI to fall 0.2% in March.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -4.02% (MTD -0.55% YTD -12.44%), the Hang Seng Index declined by -1.86% (MTD +1.34% YTD -3.87%) and the Shanghai Composite fell by -0.71% (MTD -2.18% YTD -16.98%).***

FIXED INCOME

Treasury yields fell last Friday for the third straight session, pushing yields to their lowest levels in 10 days, after a U.S. inflation gauge remained subdued but within the market's expectations.

Performance: I) ***The 10-year Treasury yield was lower last week ending at 1.834% down from 1.889%. The 30-year yield fell last week falling from 2.708% to 2.679%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.40% last week, MTD +0.38% and YTD +3.43%. The Barclays US MBS TR rose by +0.26% last week, MTD +0.16% and YTD +2.14%. The Barclay's US Corporate HY Index climbed by +0.76%, MTD +3.92% and YTD +7.35%.***

COMMODITIES

The DJ Commodity Index was higher last week climbing from 258.07 to 265.34 and is up month to date +9.08% (YTD +9.77%) as the continued decline in U.S. oil production and USD were pluses for the market.

Performance: I) ***The price of oil achieved a nearly 20% gain for the month on expectations that U.S. output will continue to slow***. For the week the price of oil was higher, advancing from $43.75 to $45.99 per barrel.

II) ***The ICE USD Index***, a gauge of the greenback's movement against six other major currencies, ***was negative dropping from 95.12 to 93.02 for the week. The USD fell to an 18-month low against the Japanese yen after a widely watched gauge of inflation showed upward price pressures abated last month, removing some pressure for the Federal Reserve to raise interest rates.*** For the week the Yen strengthened climbing from ¥111.78 to ¥106.50 and the Euro fell from 1.1226 to 1.1449 against the USD.

III) ***Gold posted its highest settlement since January 2015, as a slump in the USD driving it to its lowest level in 11 months lured investors into dollar-denominated commodities***. For the week gold was higher rising from $1233.7 to $1294.9.

HEDGE FUNDS

Hedge funds returns in April are higher, as all core strategies Equity Hedge, Distressed, Event Driven, Macro and Relative Value are in positive territory.

Performance:

I) ***The HFRX Global Hedge Fund Index is higher at +0.61% MTD and -1.27% YTD.***
II) ***Equity Hedge is positive at +0.30% MTD and has fallen -2.64% YTD.***
III) ***Event Driven is down MTD +0.82% and is down YTD -0.42%.***
IV) ***Distressed Debt is higher at +4.46% MTD and is positive YTD +2.90%***
V) ***Macro/CTA has risen by +0.43% MTD and is up +0.51% YTD.***
VI) ***Relative Value Arbitrage is positive at +0.90% and is down -1.88% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week investors will take note of recent market research published by HSBC, that shows the financial market and security pricing have been driven by the "risk-on and risk-off" trades. This is a situation in which asset classes ***become increasingly correlated with each other*** and ***respond largely to broad shifts in investor appetite for risk.*** The tendency of assets to move in tandem creates a ***difficult environment for stock pickers and other investors, as it renders long-standing investing strategies less effective and individual stock picks less relevant.***

By HSBC's measure, risk-on-risk-off peaked between 2010 and 2013, but then started to wane as quantitative easing by global central banks became an increasingly important driver of markets. But right now, risk-on-risk off is driving performance in this market at the highest degree in six years, the HSBC analysts said in a report released Wednesday. ***Recently the bank's risk-on-risk-off index, which measures the degree to which a broad range of different asset classes are correlated, has risen to about 38%, in 2008 the correlation rose to over 50%. In a normal market driven by fundamentals, correlations hover between 20% to 25%.***

On the economic data front, employers have continued to hire at a solid pace despite a slowdown in economic growth. ***Payrolls grew by 215,000 in March and have grown an average 209,000 this year***, not far off last year's robust average of 229,000. But firms have cut back on spending on equipment, indicating renewed caution. Friday's Labor Department report on April employment ***(estimated to fall to 200,000)*** will be closely watched because a hiring slowdown would raise fears employers are getting nervous and pulling back broadly.

Factories appear to be show some stability after a drop tied to the strong dollar and the sharp drop in oil prices. Monday's report from the ***Institute for Supply Management on its manufacturing index, will show whether manufacturers are sustaining momentum (projected to remain at 54.5%).***

After U.S. auto sales hit a record in 2015, there are signs the industry might have slowed. Tuesday's report on light-vehicle sales will hint at whether the industry is in a minor rough patch or experiencing a broader slowdown. ***Auto makers sold cars at an annual rate of 16.57 million in March***, well below analyst expectations and the 17.5 million the industry reported in February. Analysts widely expect a rebound in ***April (estimated to rise from 16.5 to 17.5 million units)***, but focus will be on whether fleet sales and incentives are playing an outsize role.

Construction in the U.S. has been picking up at a steady rate due to higher demand for housing and renewed investment in public infrastructure. Monday's release by the ***Commerce Department of March construction spending (expected to rise from -0.5% to 0.7%),*** while not a market-mover, will shed light on whether this sector is poised to give the economy a boost in the spring.

Sluggish global demand has been a big factor behind the U.S. economy's lackluster growth, weighing on international sales of American-made goods and services. The U.S. trade gap widened 2.6% in February, and Wednesday's release from the Commerce Department will show whether the picture got worse in March. Exports have fallen sharply over the past year while imports have climbed only slightly. There are signs of a shift: The dollar has started to weaken, and oil prices have started to recover.