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"Is the market 'correction' behind us?"

Global equity markets were broadly higher in April as positive economic and corporate fundamentals provided tailwinds for stocks. Volatility remained elevated as investors focused their attention on the economic impact of a potential trade war between the U.S. and China, recent challenges faced by social media companies, monetary policy tightening, and political turmoil in the U.S. and abroad.

Despite short-term market fluctuations, the U.S economy continues to accelerate at a solid pace. In the first quarter of 2018, real gross domestic product (GDP) grew by a stronger-than-expected annualized rate of 2.3%, compared to the Bloomberg consensus estimate of 2%. The ongoing residual seasonality problem has been the driving force behind the first quarter registering the worst readings in six out of the last nine years. The Commerce Department's flash report indicated that the acceleration in inventory accumulation, robust business investment, and positive net trade, contributed to the GDP growth. Moreover, total government spending, which accounts for about 17% of GDP, increased by 1.2% in the first quarter of this year and added 0.20 percentage points to GDP. Conversely, personal consumption expenditures, which accounts for approximately 70% of total U.S. GDP, posted its weakest period since the second quarter of 2013, with a somewhat muted 1.1% gain in the first quarter. Consumers slowed their spending at the start of the year due to severe winter weather affecting large parts of the country and delayed tax refunds. Retail sales rebounded in March, rising by 0.6%, the first increase in four months as sales growth in health and personal care gained the most. Meanwhile, the unemployment rate remained flat at 4.1% for the sixth consecutive month and the participation rate registered at 62.9%. The March employment report showed that 103,000 jobs were added, lower than the consensus estimates of 173,000, in part due to weather effects. Wage growth for production and non-supervisory workers posted a relatively healthy 2.4% year-over-year increase, starting to put some pressure on profit margins.

	April 2018	YTD
DJIA	0.34%	-1.63%
S&P 500	0.38%	-0.38%
NASDAQ	0.04%	2.36%
MSCI EAFE	2.28%	0.72%
MSCI Emerging Markets	-0.44%	0.97%
Barclays Aggregate	-0.74%	-2.19%
Barclays Corp High Yield	0.65%	-0.21%
	4/30/2018	3/31/2018
US 10-Year Treasury	2.87%	2.74%

Despite fears of future profit slowdown, the corporate earnings season kicked into high gear with initial reports pointing at solid first-quarter earnings. With 250 companies having reported, 82% of companies are beating earnings forecasts and 66% of companies are exceeding sales estimates. This quarter was the first reporting period to reflect the full benefit from the new tax law changes, with initial analyst estimates confirming the positive effects of the tax reform. Furthermore, robust global growth, a weaker U.S. dollar, and higher oil prices provided additional support for the strong earnings results. Although all S&P 500 sectors are expected to register earnings growth, energy, technology, and financial services are particularly expected to boast the strongest gains.

Solid corporate earnings growth and robust economic data provided a positive backdrop for the markets during April, with both the Dow Jones Industrial Average and the S&P 500 ending the month with a slight gain of 0.4%. However, year-to-date, the indexes are still down 1.6% and 0.4%, respectively. Meanwhile, the NASDAQ managed a modest gain of 0.1% for the month, albeit the technology-heavy index still boasts a return of 2.4% in 2018.

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Developed international markets also regained their footing last month with the MSCI EAFE Index posting a solid 2.3%, as pressure from the recent Euro strength moderated. The European Central Bank (ECB) and Bank of Japan left rates unchanged at their most recent policy meetings. The ECB President Draghi confirmed softer economic data for the first quarter but the outlook for the region remained positive. Emerging markets, on the other hand, had a slightly negative month, dropping 0.4%, as measured by the MSCI EM Index, due to concern over a potential global trade war. That said, thus far this year, developed markets have gained 0.7%, while emerging markets have posted close to a 1% return, fueled by improving economic fundamentals and solid earnings growth.

Fixed income markets generated mixed results for the month. Yields on 10-year U.S. Treasuries crossed the 3.00% threshold for the first time since early 2014 and ended the month at 2.87%. The Bloomberg Barclays US Aggregate Index fell 0.7% in April, bringing the year-to-date loss to 2.2%, whereas the Bloomberg Barclays US High Yield Index gained 0.7% during the month but still down 0.2% thus far this year.

Favorable economic data and solid corporate earnings gave stocks periodic bursts of support throughout April. Despite the strong fundamentals, investors remained concerned about the sustainability of the positive earnings momentum, wondering whether this quarter's results represented a temporary peak or a long-term shift to a stronger growth environment. While investors continue to focus on the downside risks over the short-term, the macro backdrop remains positive with relatively low inflation, solid economic growth, and strong corporate earnings in the long run.

For previous market commentaries please click here.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

The S&P Case Shiller Index is a group of indexes that tracks home prices in the U.S.. It seeks to measures the value of residential real estate in 20 major U.S. cities.

Michigan Consumer Sentiment Index is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.

Conference Board's Consumer Confidence Index an index by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.