



Diverging Data: "Soft" vs "Hard"

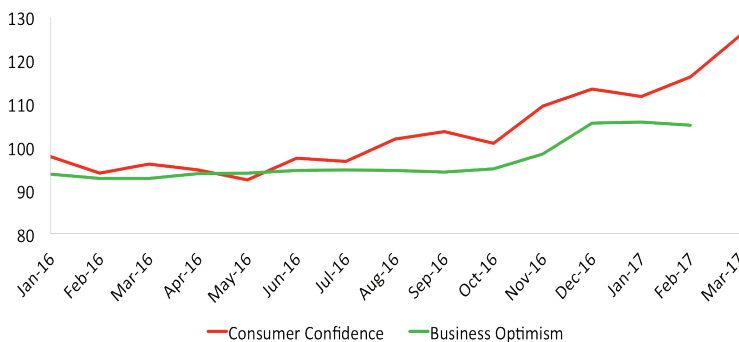
The Story

Recent reports have shown a growing divergence between the so-called "soft" and "hard" economic data. Since the presidential election, the major consumer and business sentiment reports have seen record gains. The Conference Board's Consumer Confidence Index, hit a 16-year high of 125.6 in March, and the National Federation of Independent Business (NFIB) Small Business Optimism Index, saw its largest month-to-month gain since 1980. These strong gains in the soft data, suggest that consumers and businesses are *feeling* good about the direction of the economy. However, the recent hard data reports, suggest the economy may *actually* be slowing. March's employment report showed job growth coming in well-below estimates at 98,000. This is in stark contrast to the 219,000 jobs added in February and 216,000 in January. The Consumer Price Index and the Producer Price Index, two trackers of inflation in the economy, continued to grow, but at a slower rate than expected. Another broad indicator of economic health, retail and food service sales, also struggled to meet estimates.

Market Impact

The divergence in these two sets of data, between feelings and fundamentals, can lead to consumers and businesses acting outside of their best interests. It can lead to over-investing when optimism is high, relative to the fundamentals, and under-investing, when optimism is low. The recent run-up in sentiment began around Election Day and has continued to persist. This is most likely due to optimism around the new administration's willingness to repeal and replace the Affordable Care Act, reduce taxes and engage in regulatory reform. It will be instructive to see if sentiment continues to rise if these policy initiatives fail to materialize or take longer than anticipated.

Rising Consumer and Business Sentiment



Source: The Conference Board and National Federation of Independent Business

U.S. Stock Indices Soaring Since Presidential Election

	As of Nov. 1, 2016	As of Apr. 20, 2017	Change
DJIA	18037.10	20578.71	+14.1%
Nasdaq	5153.58	5916.78	+14.8%
S&P 500	2111.72	2,355.84	+11.6%

Source: Wall Street Journal

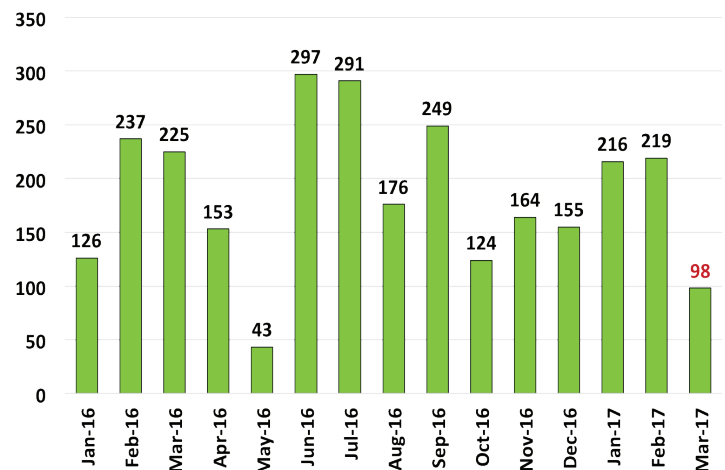
CPI, PPI and Retail Sales

	Change from 12 Months Ago	Feb. 2017	Mar. 2017
Consumer Price Index		2.7%	2.4%
Producer Price Index		2.2%	2.3%
Retail Sales		5.1%	5.2%

Source: Federal Reserve Bank of St. Louis

March's Employment Growth Slowed

*Jobs in thousands

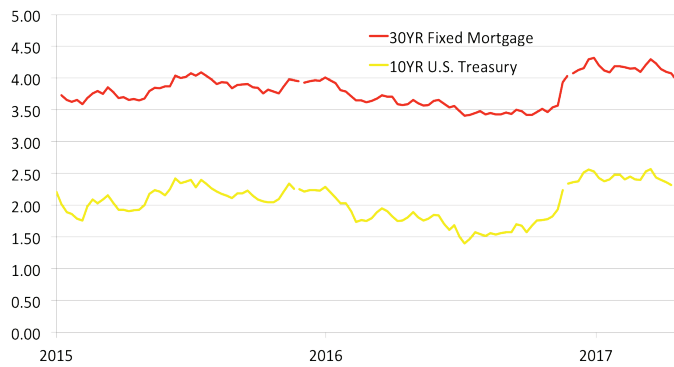


Source: Bureau of Labor Statistics

Additional Market Overview

INTEREST RATES

U.S. Bond Yields and Mortgage Rates







Government Bond Yields: As of April 21, 2017





U.S.	Yield %	Global 2 Year	Yield %
3 Month	0.777	Germany	-0.788
2 Year	1.172	Italy	-0.038
5 Year	1.744	Japan	-0.223
10 Year	2.222	Spain	-0.192
30 Year	2.878	U.K.	0.177

Sources: U.S. Federal Reserve, Freddie Mac, and Wall Street Journal

As of Apr. 21, 2017	Effective Federal Funds Rate	Prime Rate	New Car Loan 48-Month	5-Year Adj Mortgage (ARM)	15-Year Mortgage Fixed	30-Year Mortgage Fixed	Jumbo Mortgages \$424K+
Rate %	0.75 - 1.00	4.00	3.21	3.21	3.15	3.95	4.50
Yearly Change	+0.50	+0.50	+0.01	+0.07	+0.30	+0.35	+0.22

COMMODITIES

	As of Apr. 21, 2017	1YR % Change
Crude Oil 	49.50	+4.59%
Natural Gas 	3.12	+12.45%
Gasoline 	1.64	+4.78%
Live Cattle 	116.75	+11.43%

	As of Apr. 21, 2017	1YR % Change
Gold 	1,286.50	+3.74%
Silver 	17.880	+4.30%
Corn 	363.00	-8.62%
Wheat 	421.00	-20.19%

Source: Wall Street Journal

KEY CURRENCY EXCHANGE RATES

As of Apr. 21, 2017	Value of USD	YTD % Change
Canadian dollar	1.3513	0.52
Japanese yen	109.21	-6.67
Swiss franc	0.998	-2.1
Euro area euro	0.935	-1.63
Swedish krona	9.028	-0.87
Chinese yuan	6.886	-0.84
British pound	0.781	-3.55
Mexican peso	18.839	-9.16

Source: Wall Street Journal



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