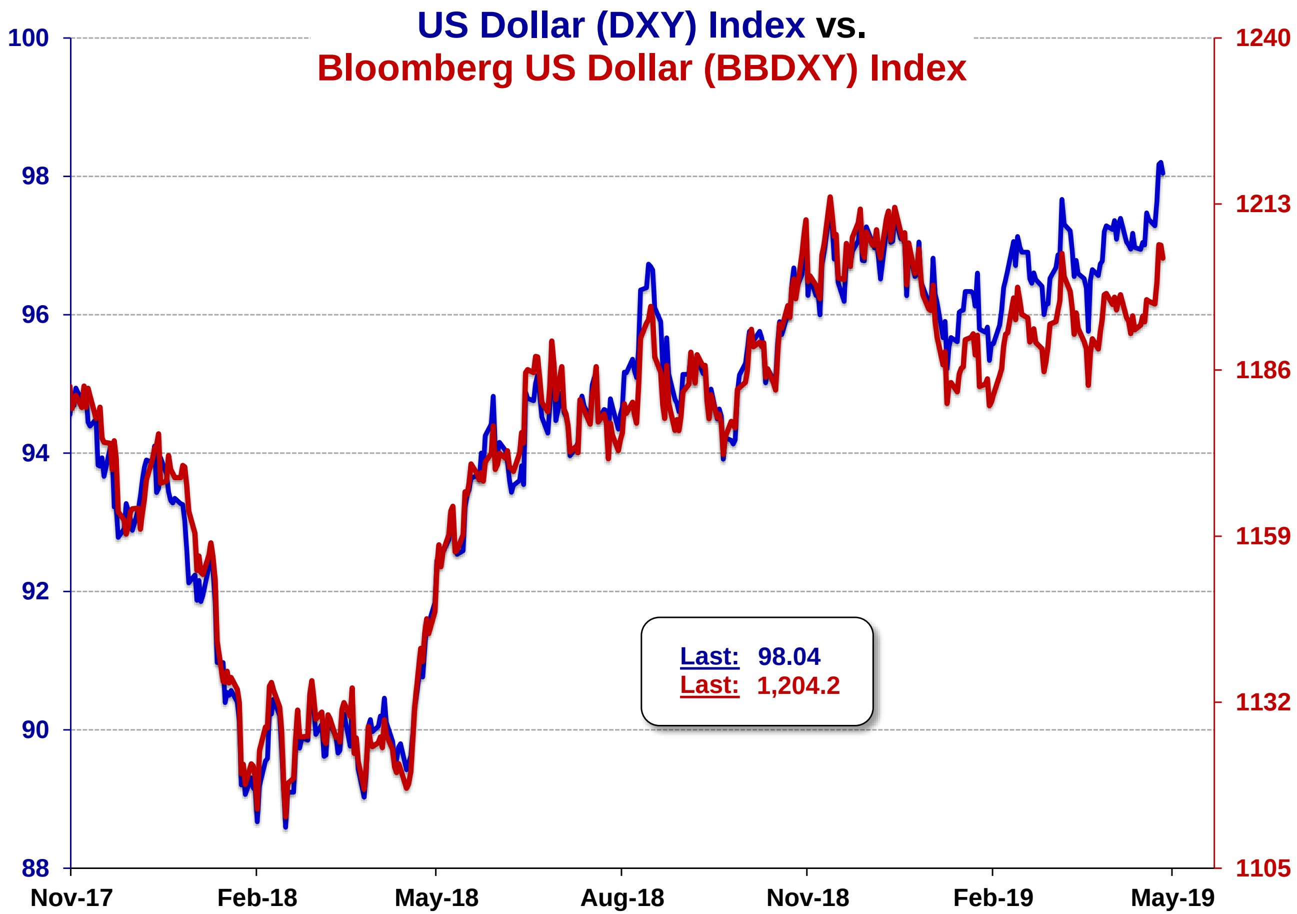
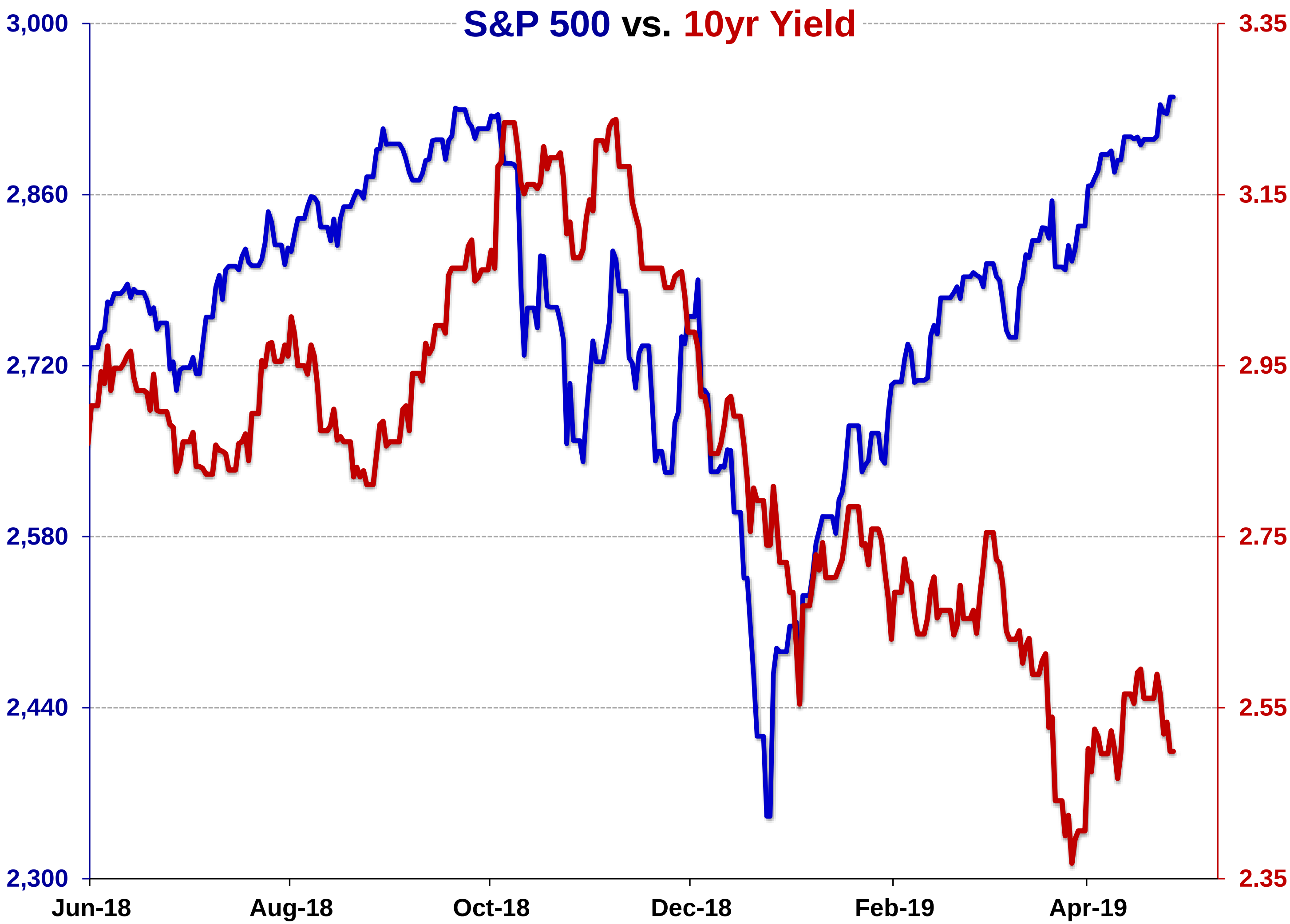
Dollar on the move: Dollar Index surges to highest since May 2017 as global macro data weakens. No doubt the administration will begin efforts to talk down down the dollar, coupled with calls for the Fed to cut rates. And that is exactly what the Fed will eventually do, yet in the interim the Dollar looks determined to press higher. As for US data, as Friday's GDP report ***actually*** showed, there are some worries about the consumer…which should keep the Fed dovish. However, weak US data has not been enough to keep the dollar from heading higher; it seems nothing short of full Fed capitulation will reverse the Dollar's present course.

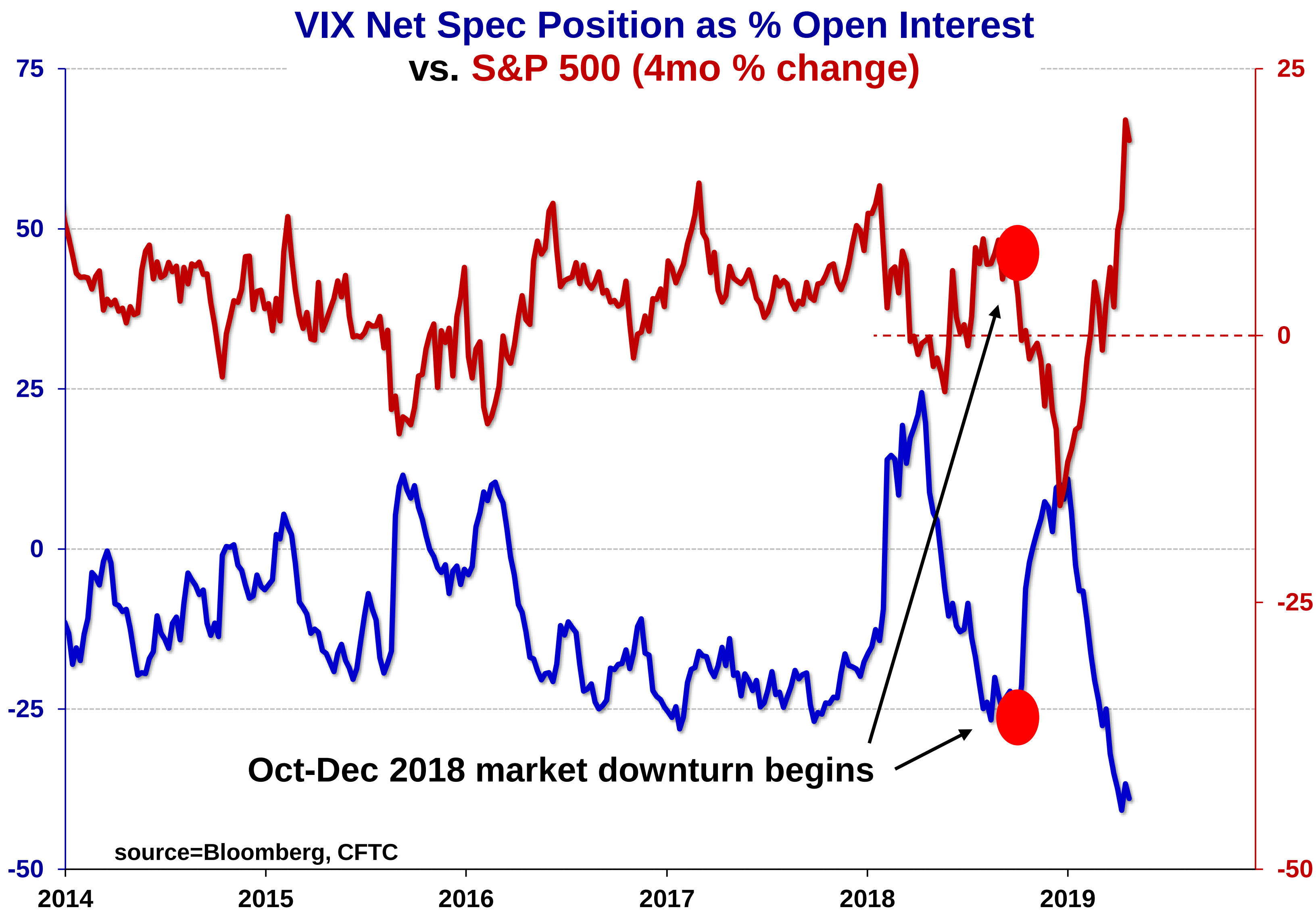


While we pointed out in our December 23rd report the market selloff was overdone, the expected rebound has been far stronger than anticipated (S&P at new all time highs; Dow yet to breach intra-day highs). However, we still hold that should stocks poke their heads further into the clouds, they won't be there long. As with lead-up to last downturn, there are plenty of indicators suggesting a reversal is near at hand.

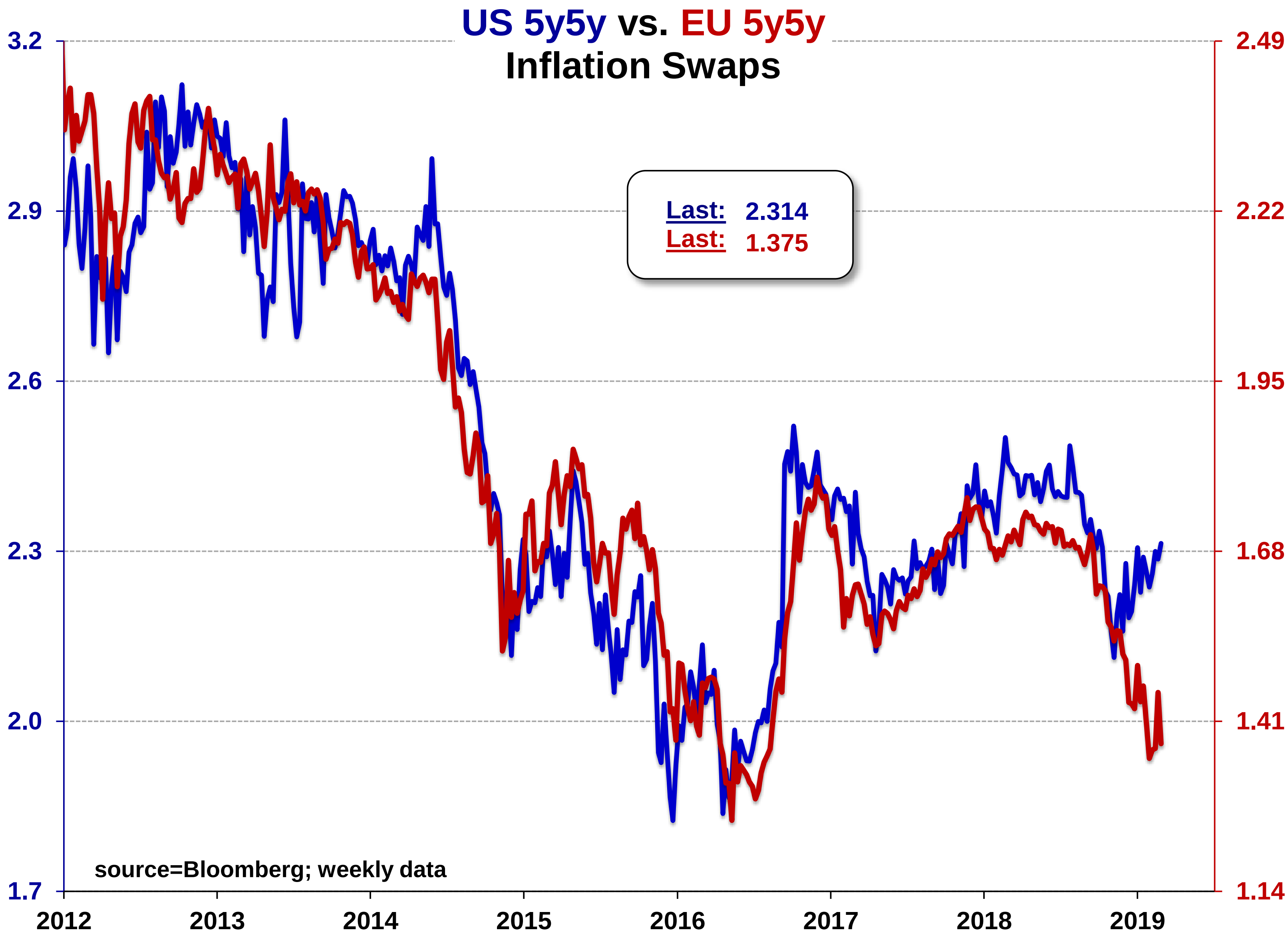
Chart: 10yr yield is clearly not buying what stock market is selling.



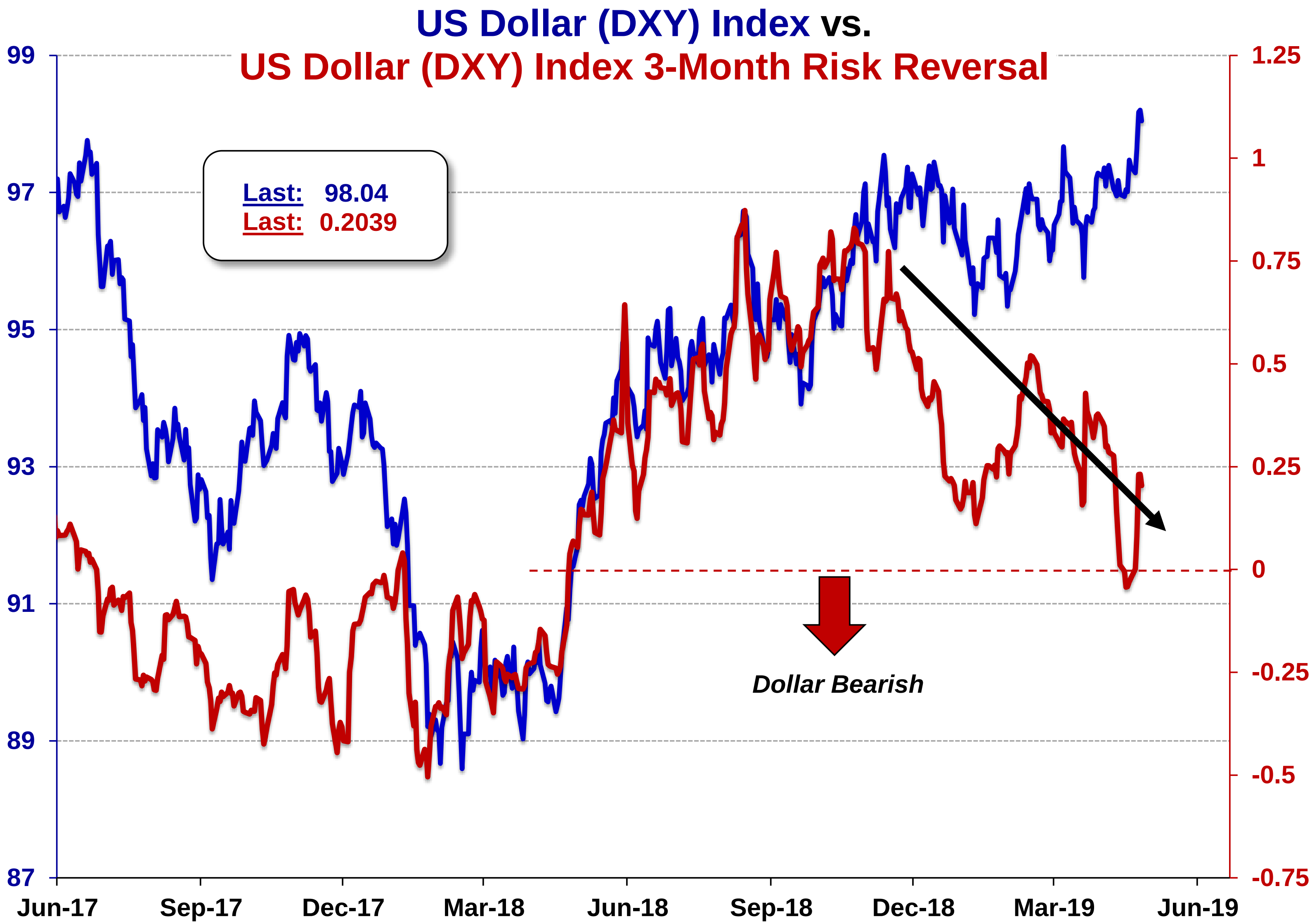
Throwing caution to the wind: VIX nest spec position as % open interest at 2nd lowest on record as stocks post huge rebound from December lows. Absolutely no fear in the market whatsoever. That's when accidents happen.



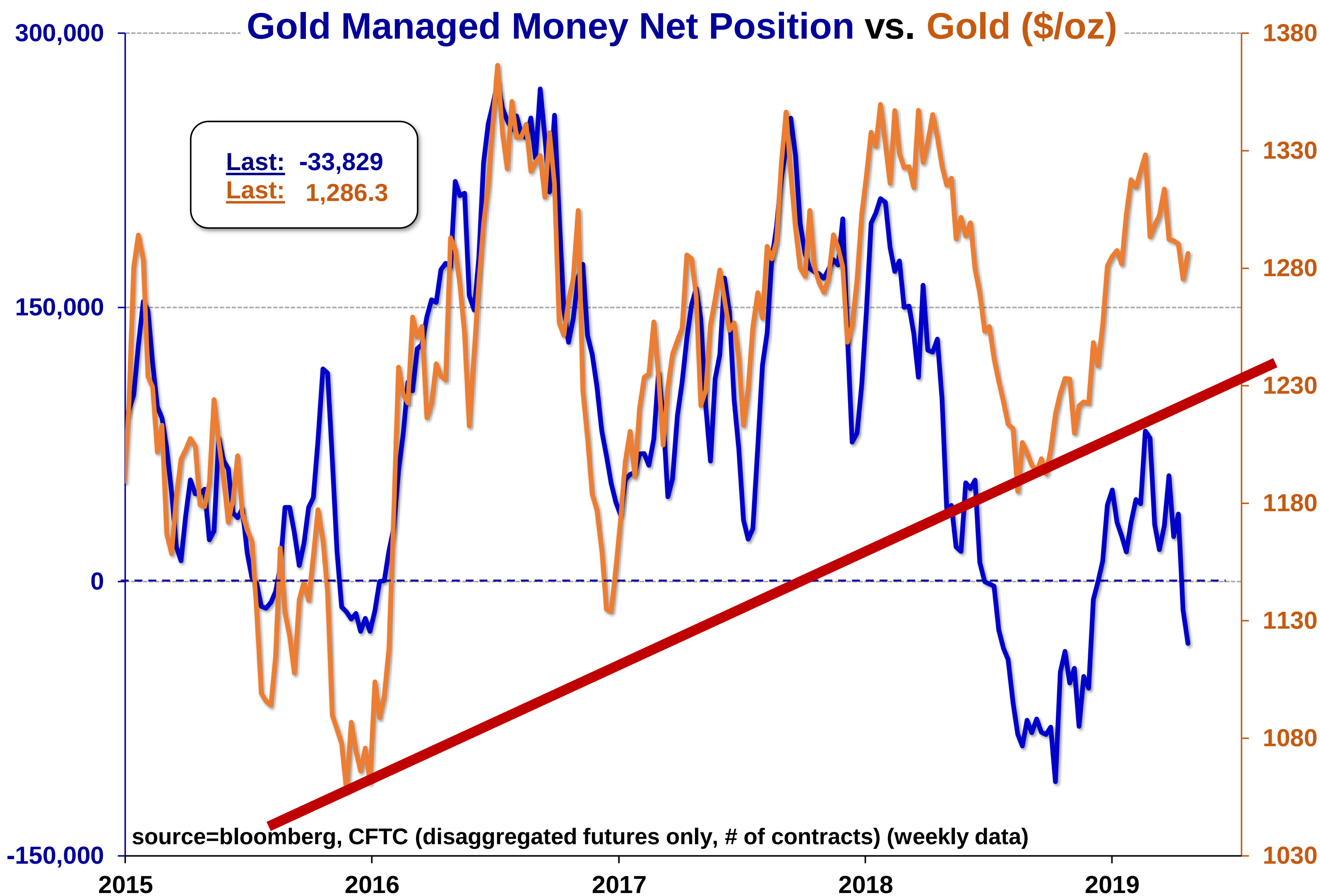
Divergence: EU inflation expectations continue to slide (nearing ***record*** lows), as US expectations look the other way. Decoupled…for now.



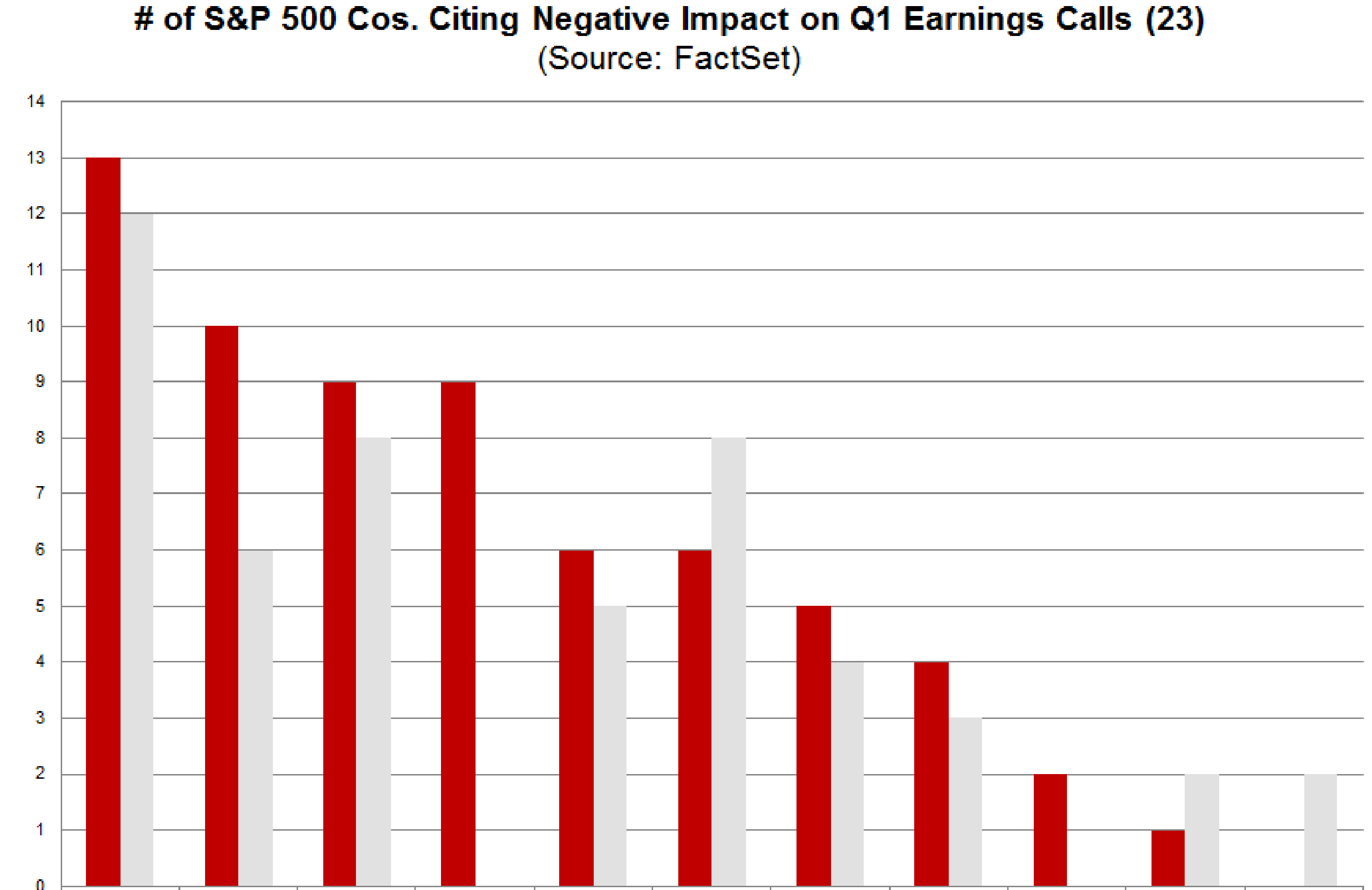
Dollar strength temporary? Chart: Dollar Index put vs. call option demand recently inverted (dollar negative) before turning higher in recent days. Overall, the trend is lower suggesting expectations are for weaker dollar ahead…which would certainly jibe with our expectation of a risk off environment soon to unfold.



Gold holds above long-term trend even as Dollar strengthens. Can it hold its ground should the Dollar press higher? We would think so as a stronger Dollar would pull forward expectations of Fed halting balance sheet reduction, paving way for rate cuts. **Chart:** extreme bearish Gold bets typically signal next leg higher is near.

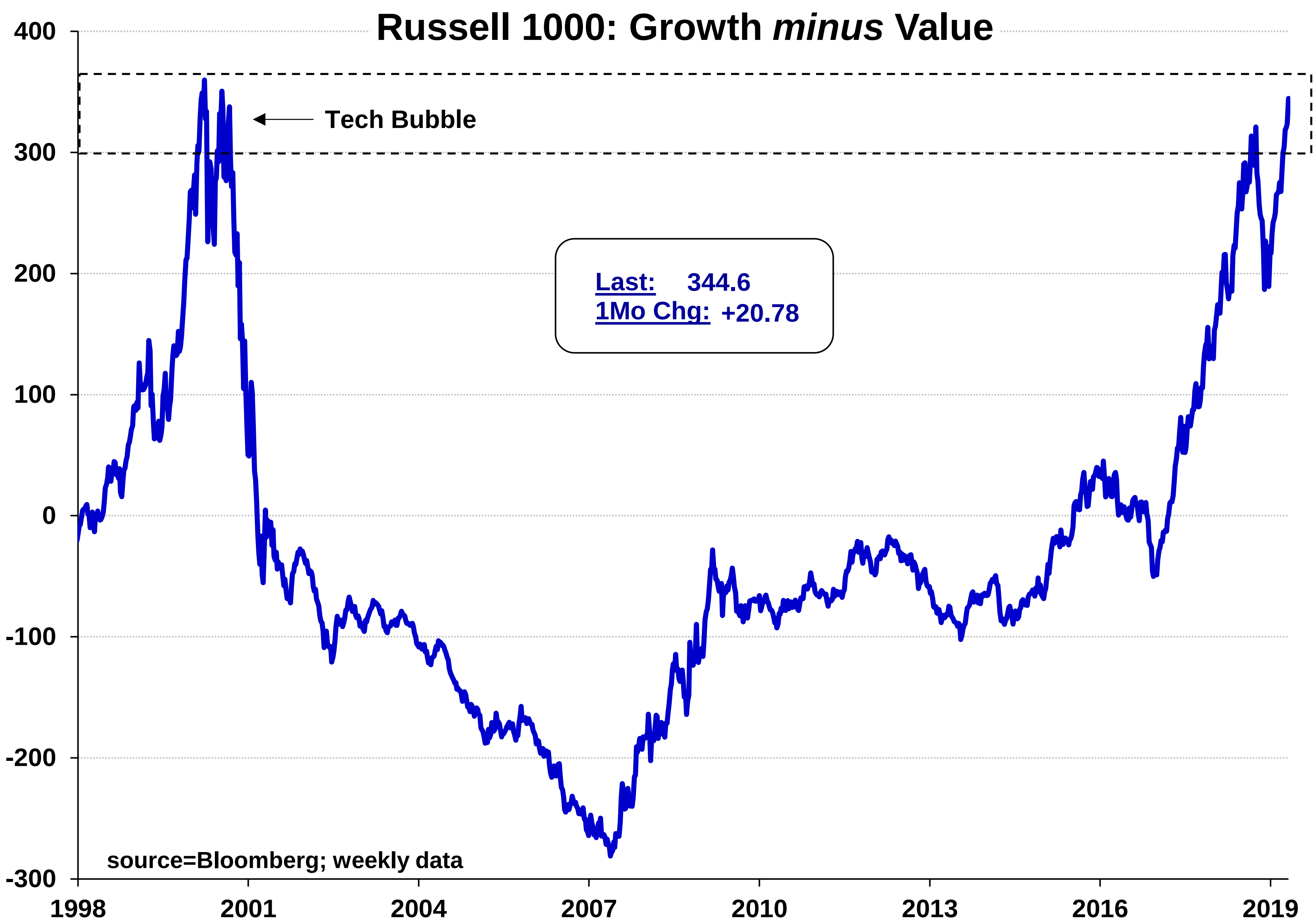


From FactSet: Biggest negative impact on earnings (for companies reporting on Q1 results so far) is continued Dollar strength. In addition, gasoline prices are rising (consumer negative) at a time when mandatory spending comprise largest portion of consumer outlays. Lots of growth headwinds sure to get the Fed's attention.

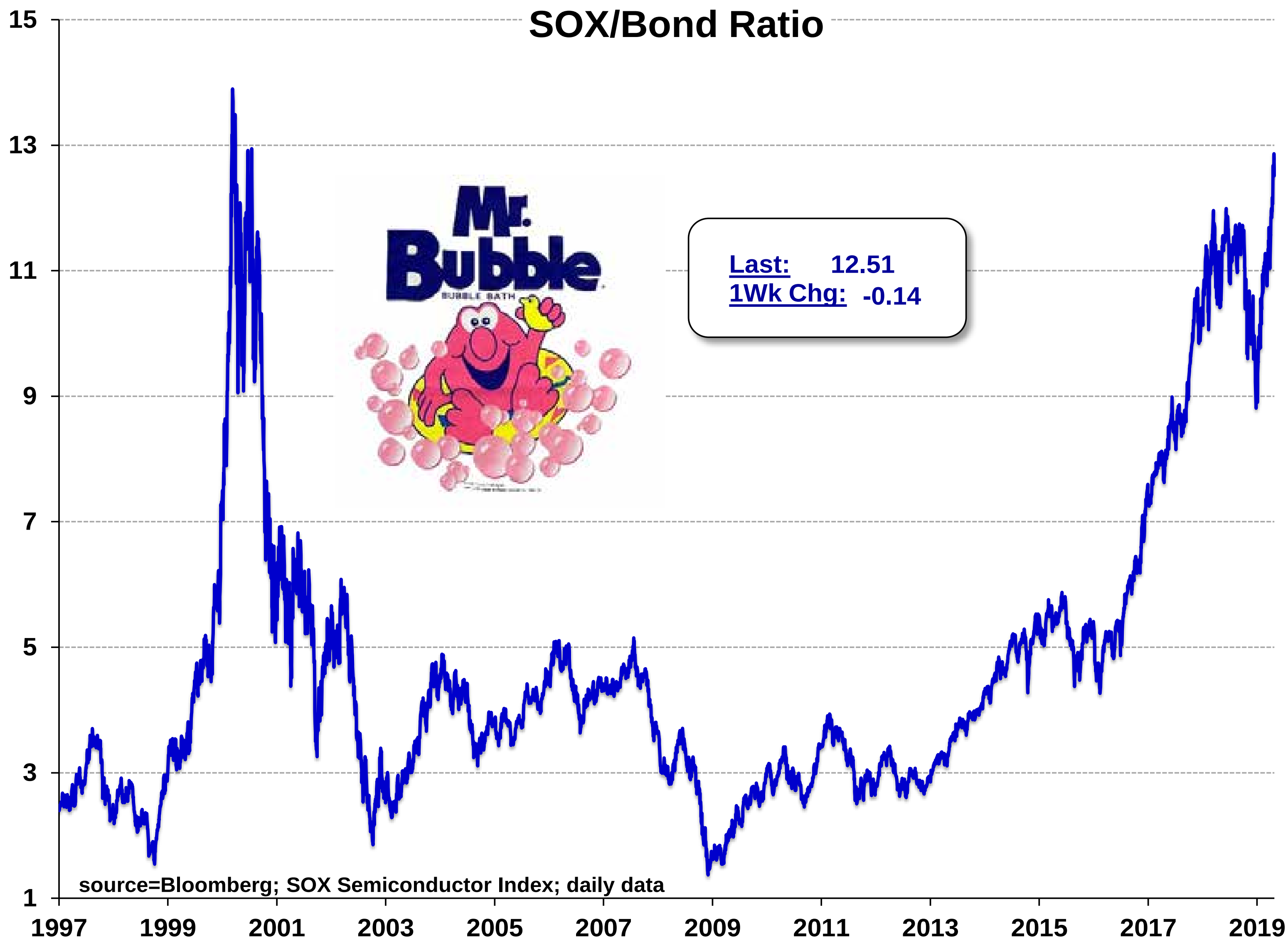


	FX / Currency	Wage & Labor Costs	Raw Material & Other Inflation	Weather	Europe	Tariffs/Trade	Transport & Freight Costs	Oil & Gas Prices	Govt. Shutdown	China	Fed / Rate Hikes
Q119	13	10	9	9	6	6	5	4	2	1	0
Q418	12	6	8	0	5	8	4	3	0	2	2

Gap between Growth – Value: 3rd largest on record

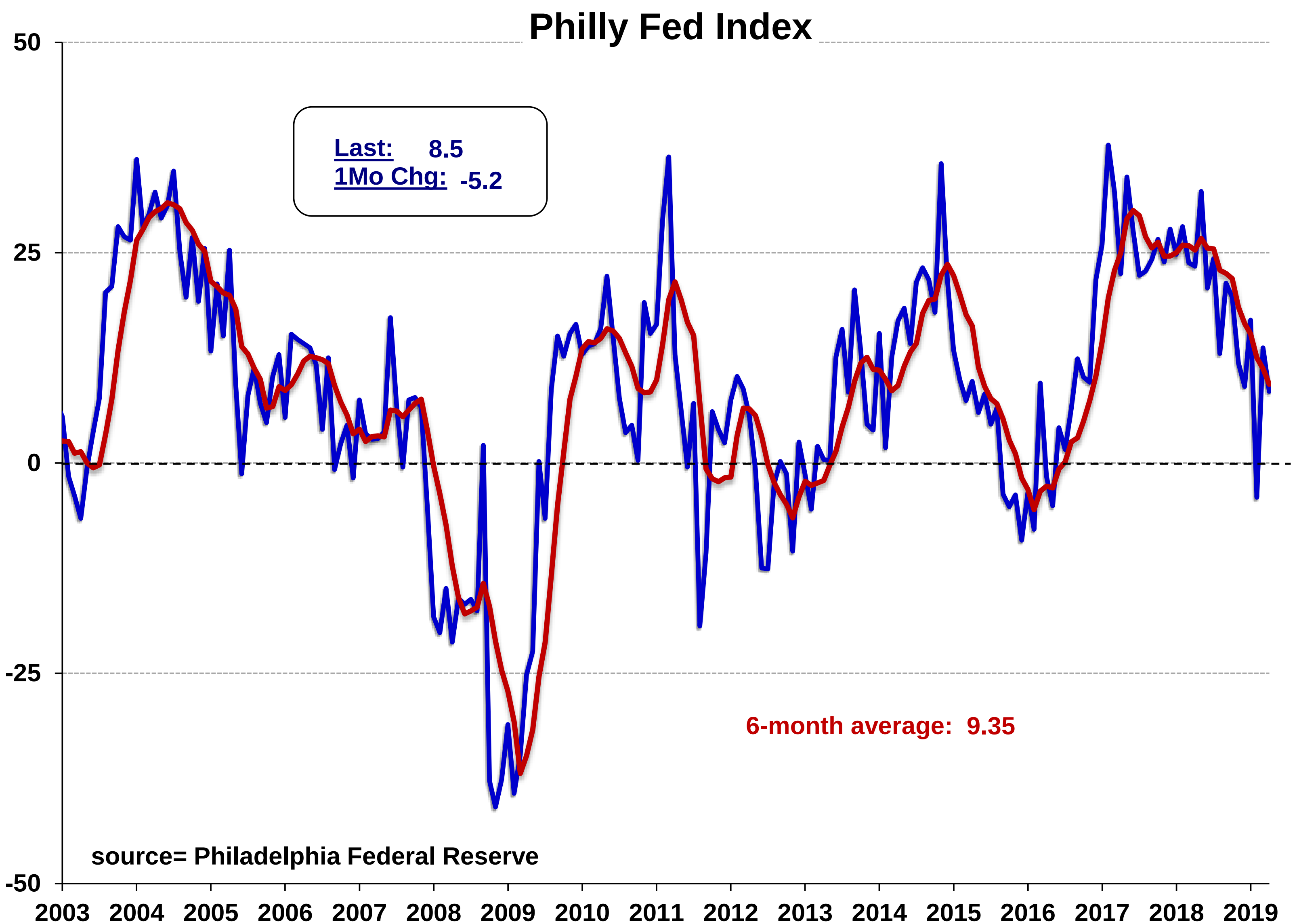


Bubble Redux: SOX/Bond Ratio spikes into rarified Tech bubble air. Considering very weak global growth cues as we've noted in recent reports (semiconductor sales/export data), the spike to record highs should be considered a glaring red flag, with a sharp reversal to be expected. And where Tech goes, so goes the market.

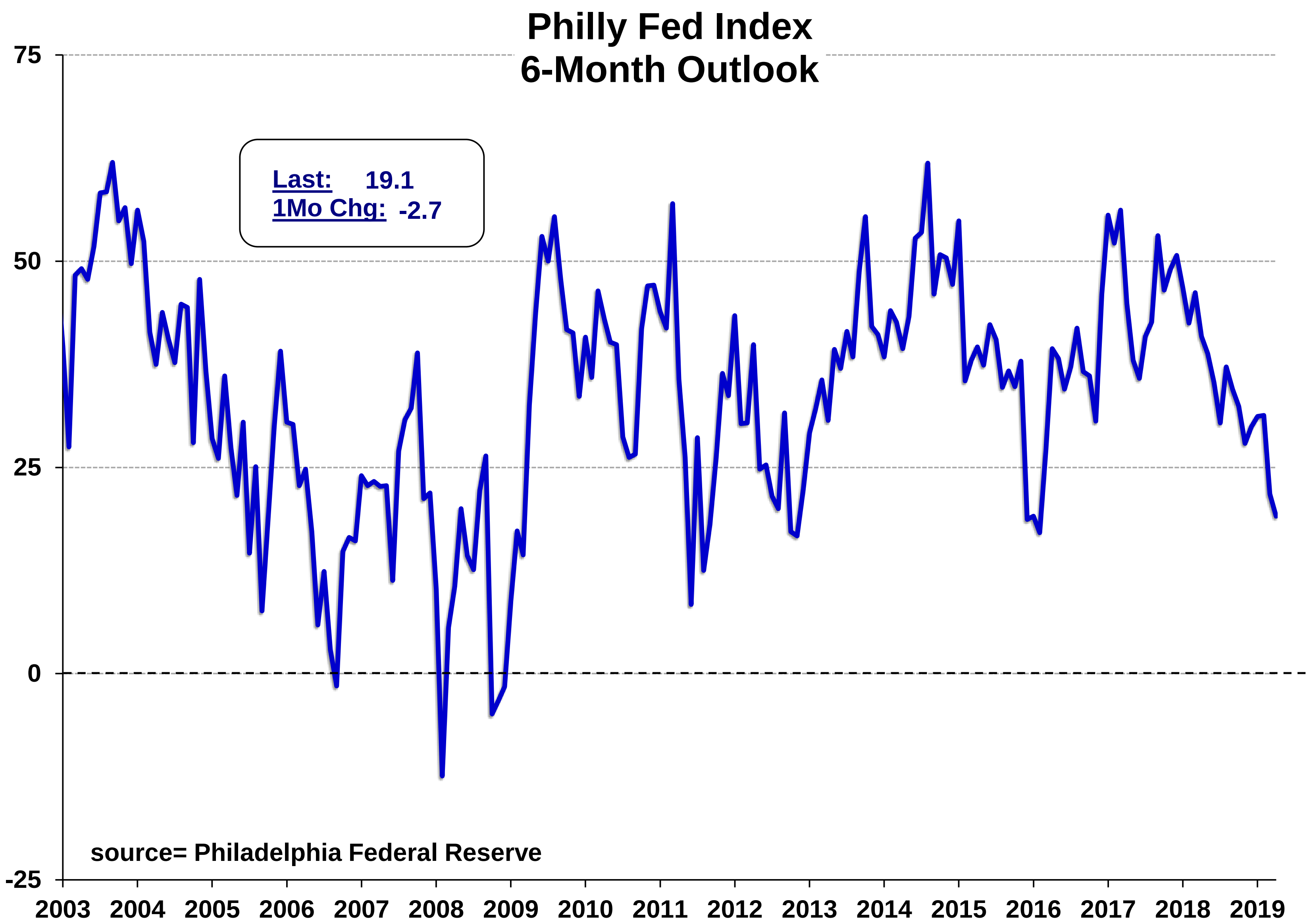


Philly Fed misses expectations: -5.2pts to 8.5 vs. expectations of -2.7pt drop to 11.

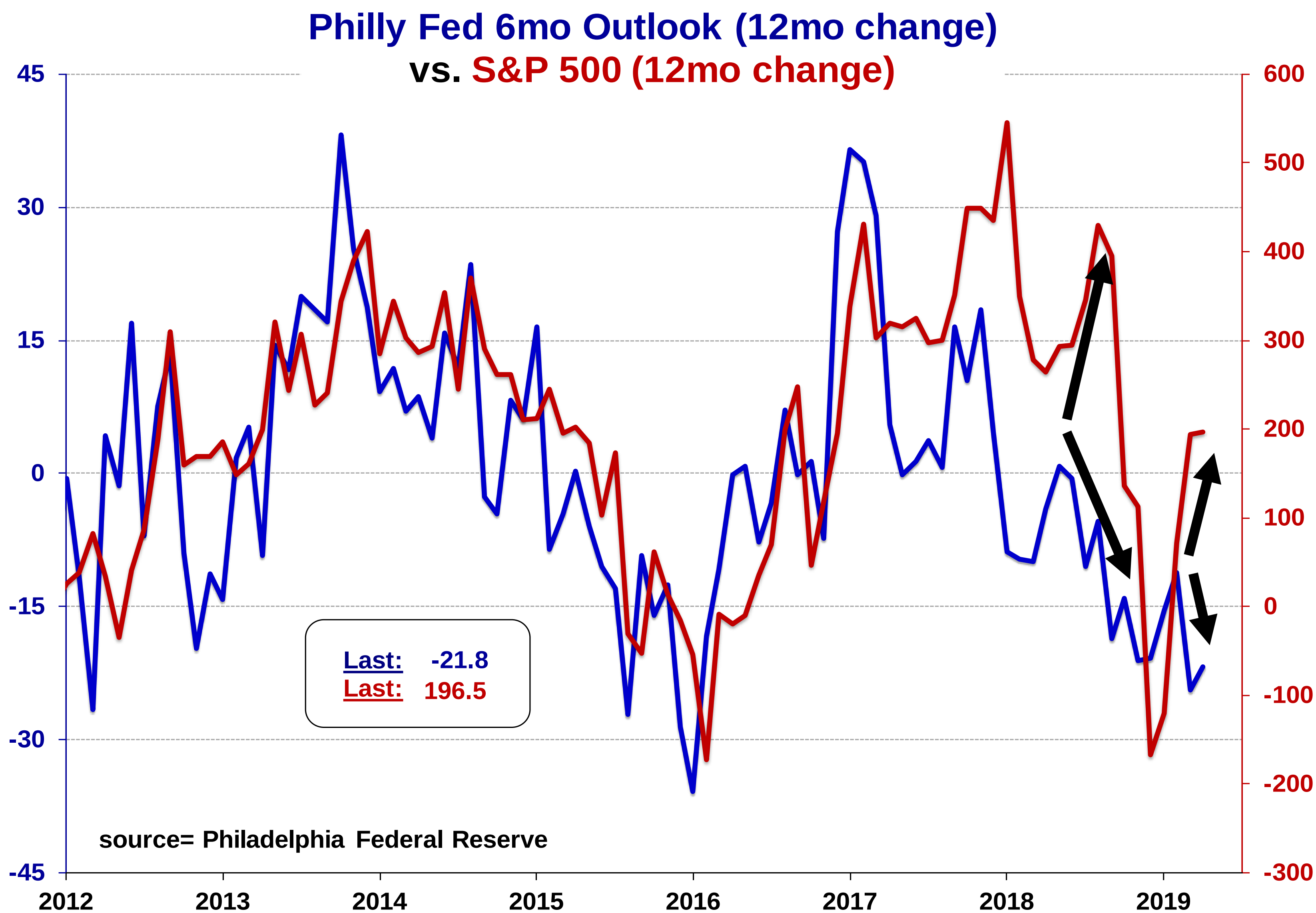
6-month average drops to lowest since Nov. 2016



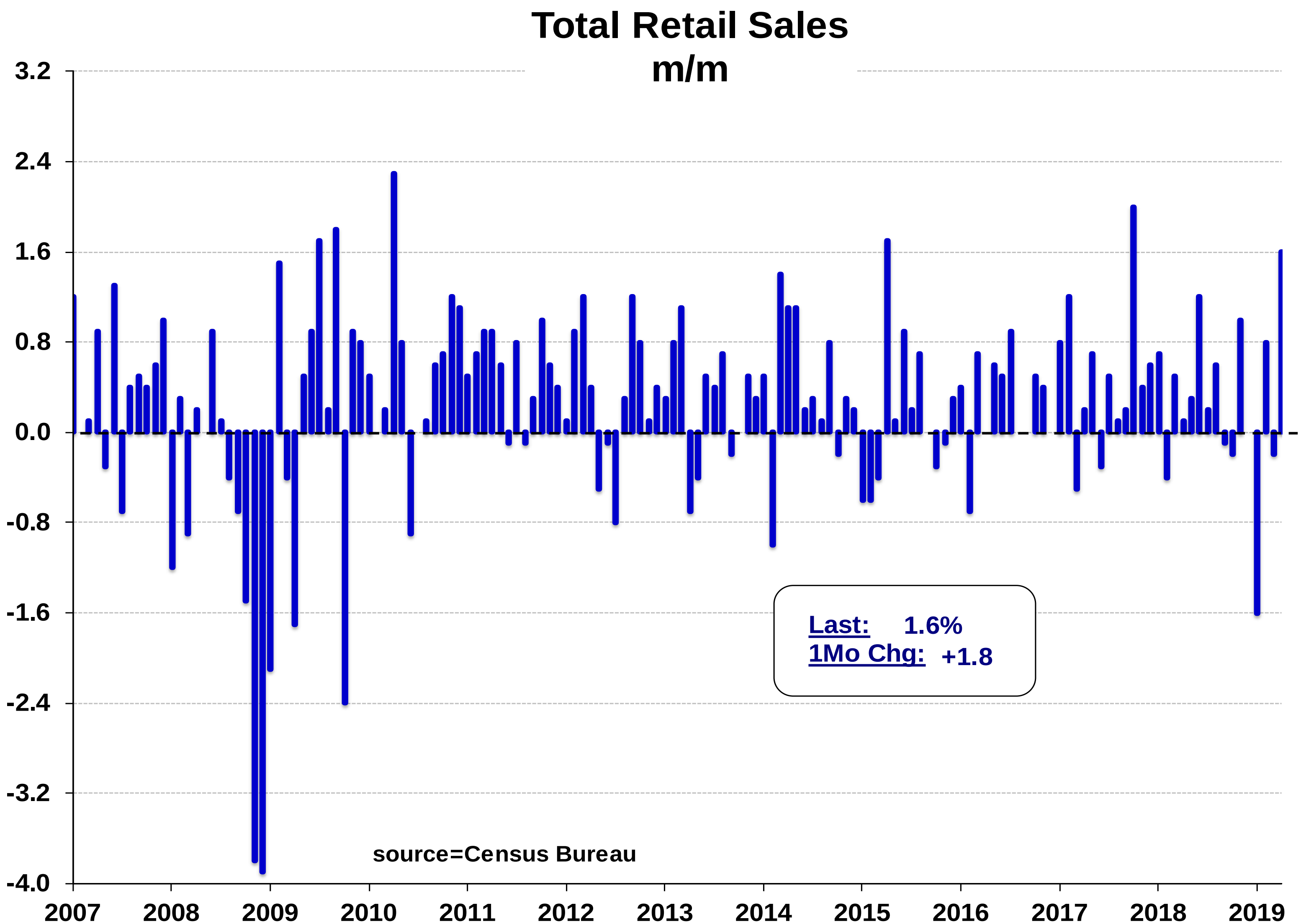
6-month Outlook deteriorates further: -2.7pts to 19.1...lowest since Feb. 2016



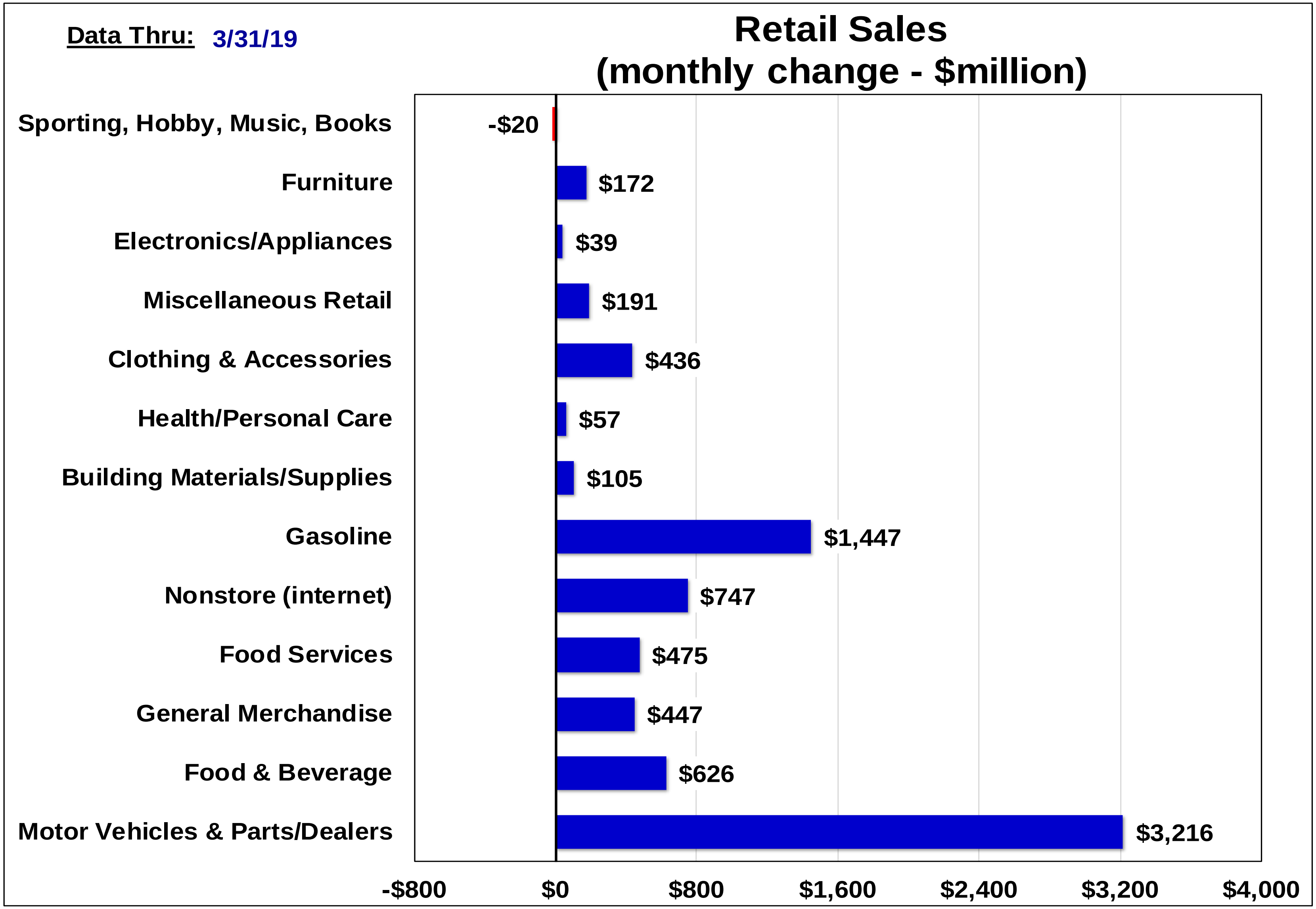
Divergence: stocks again decouple from Philly Fed outlook.



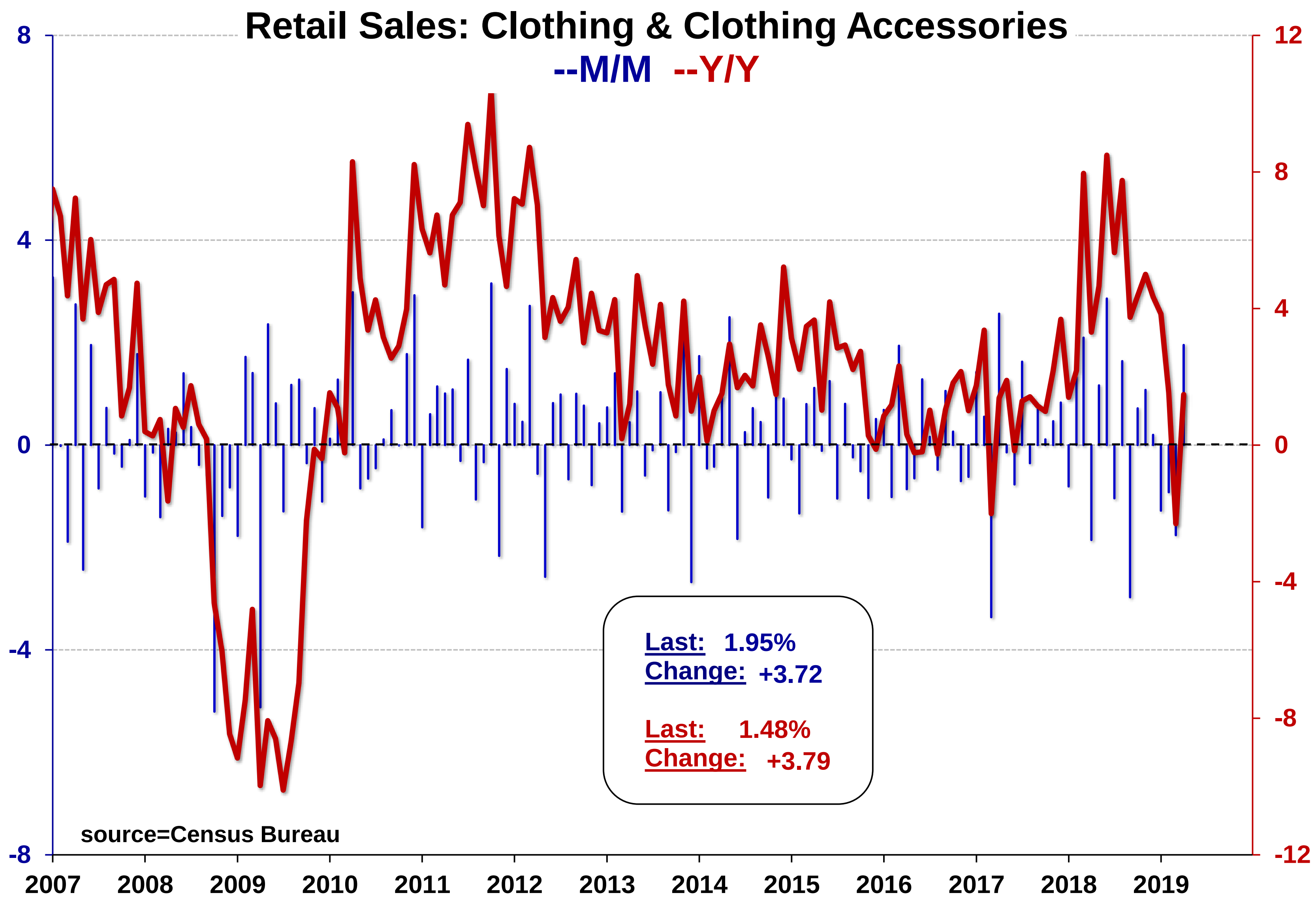
Retail Sales post solid rebound in March: +1.6% m/m vs. expectations of +1%



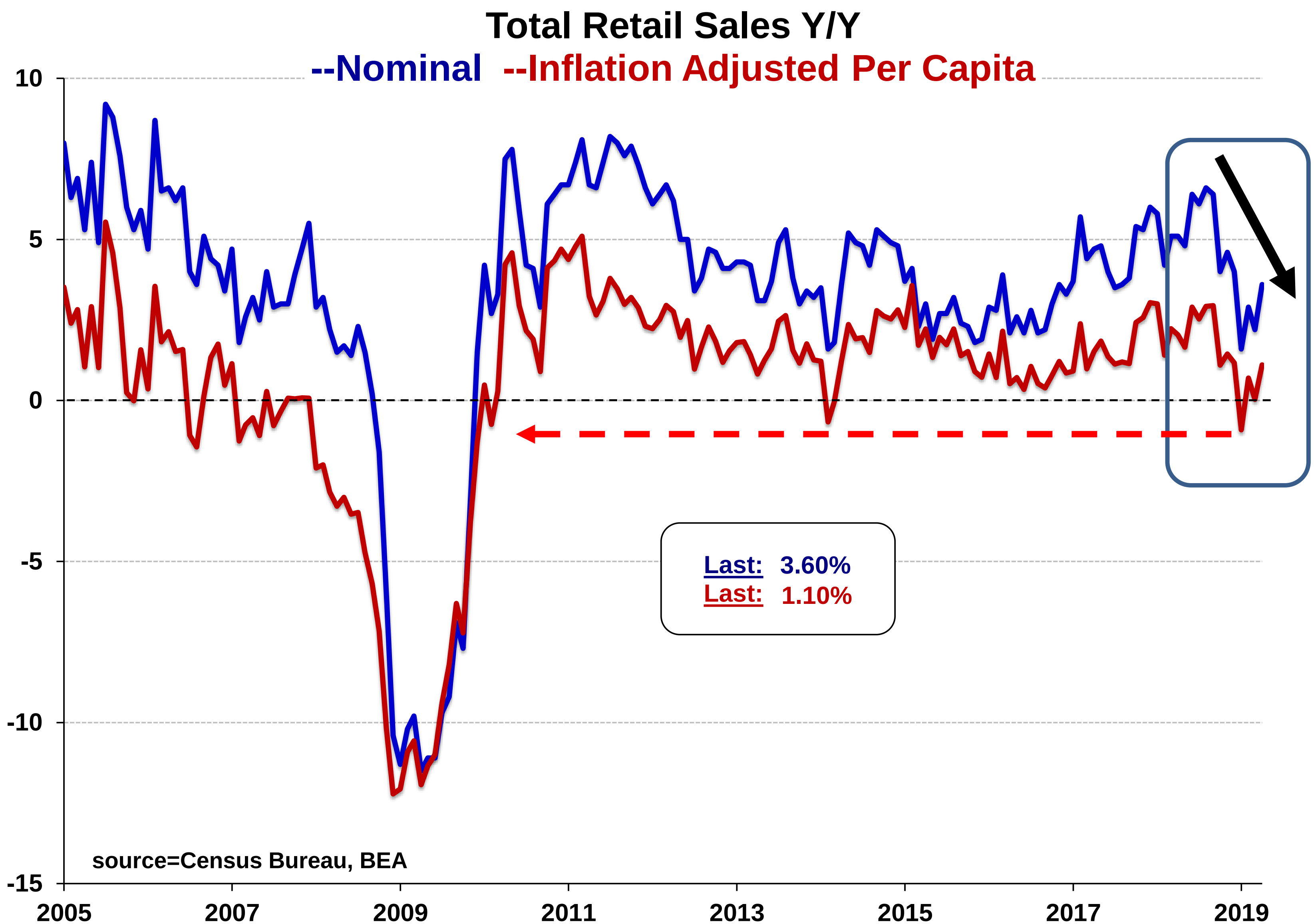
Gains seen across all major categories except Sporting Goods, Hobby, Music & Books.
Sales Ex-Autos still post a strong +1.2% m/m.



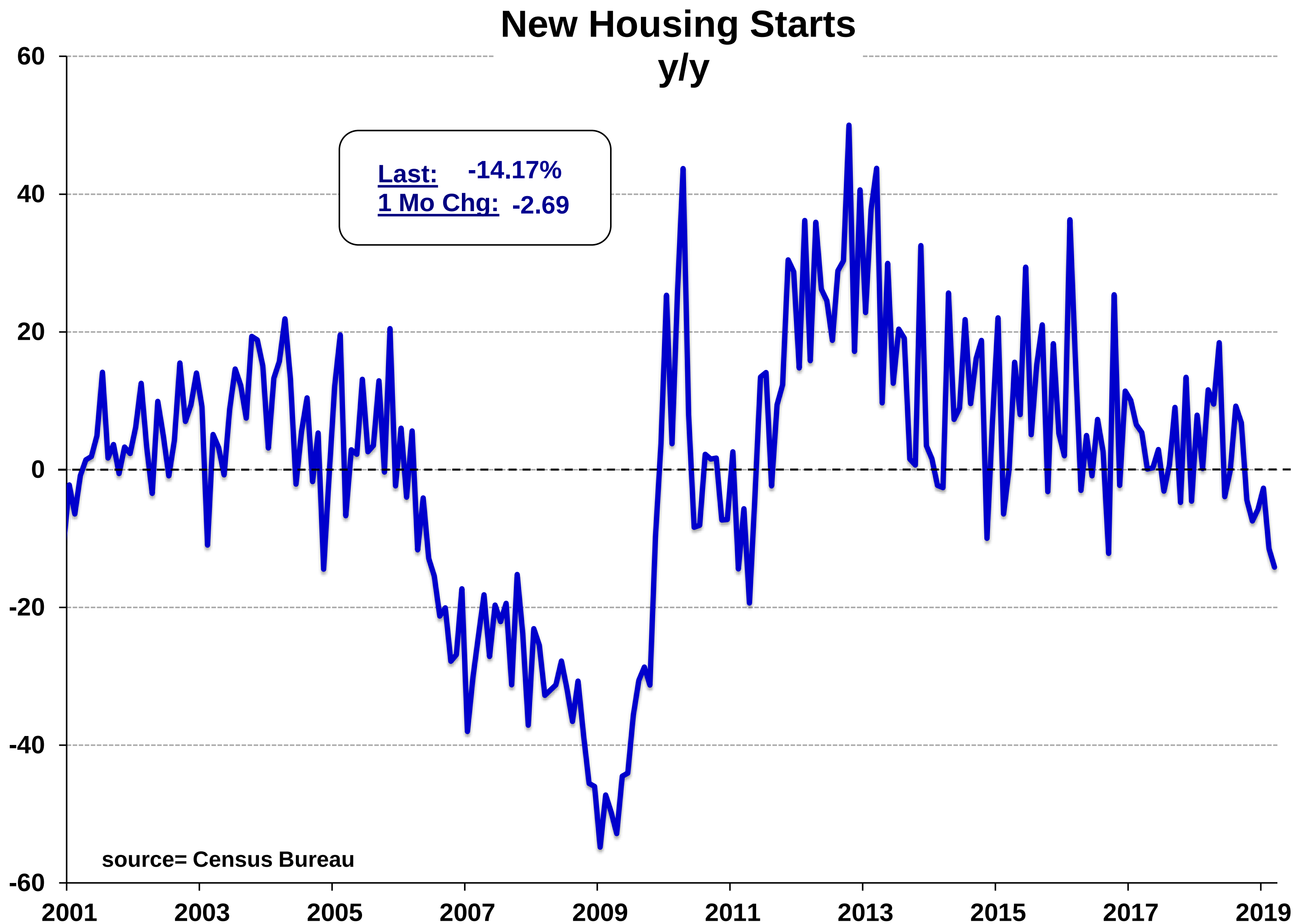
Clothing & Accessory sales jump +2% m/m, recovering from recession level y/y drop in February



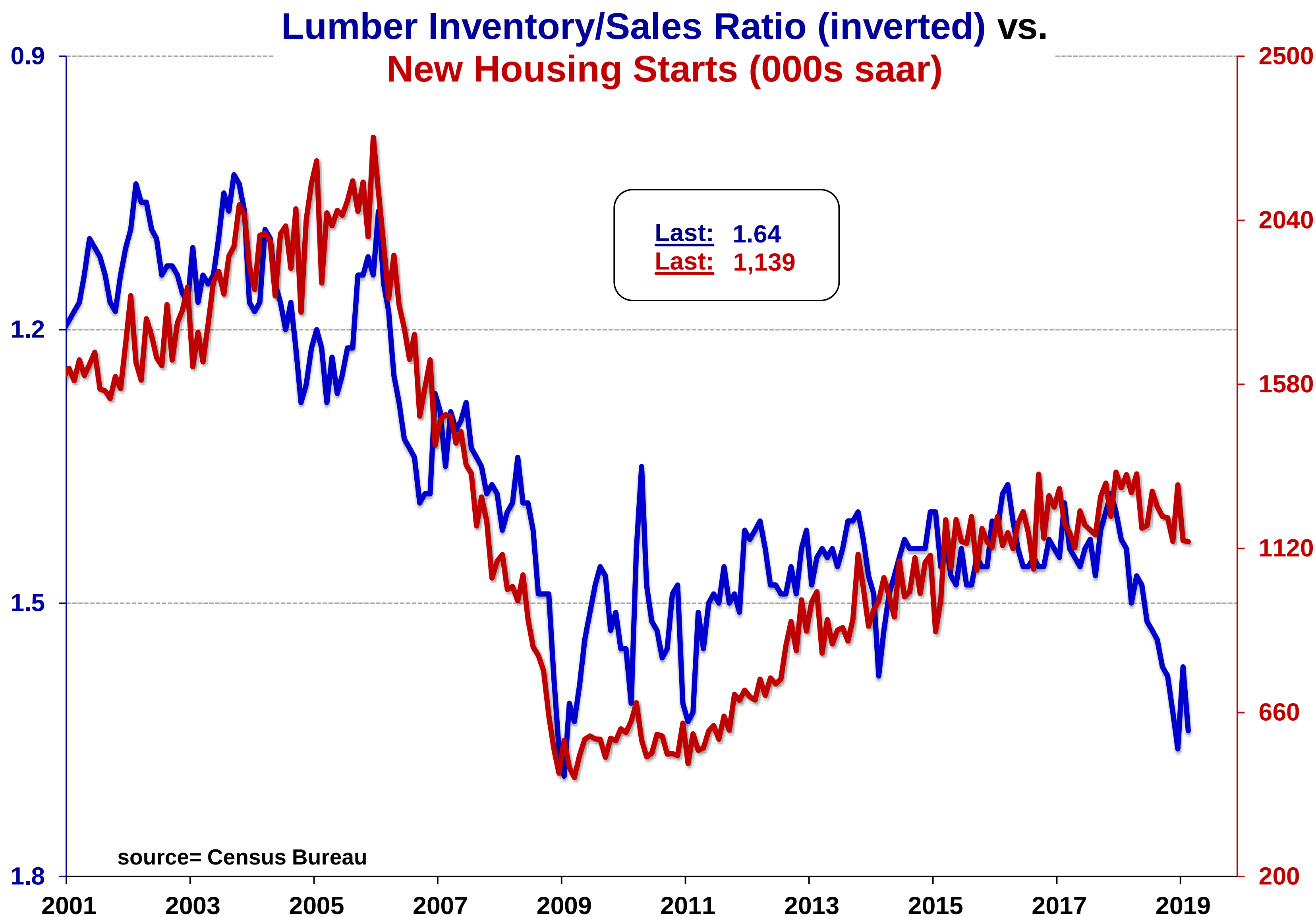
Not Out Of The Woods Yet: When adjusted for inflation and population, the picture changes: December saw lowest y/y print since the recession and, while has rebounded to +1.1% y/y, overall growth trend remains lower.



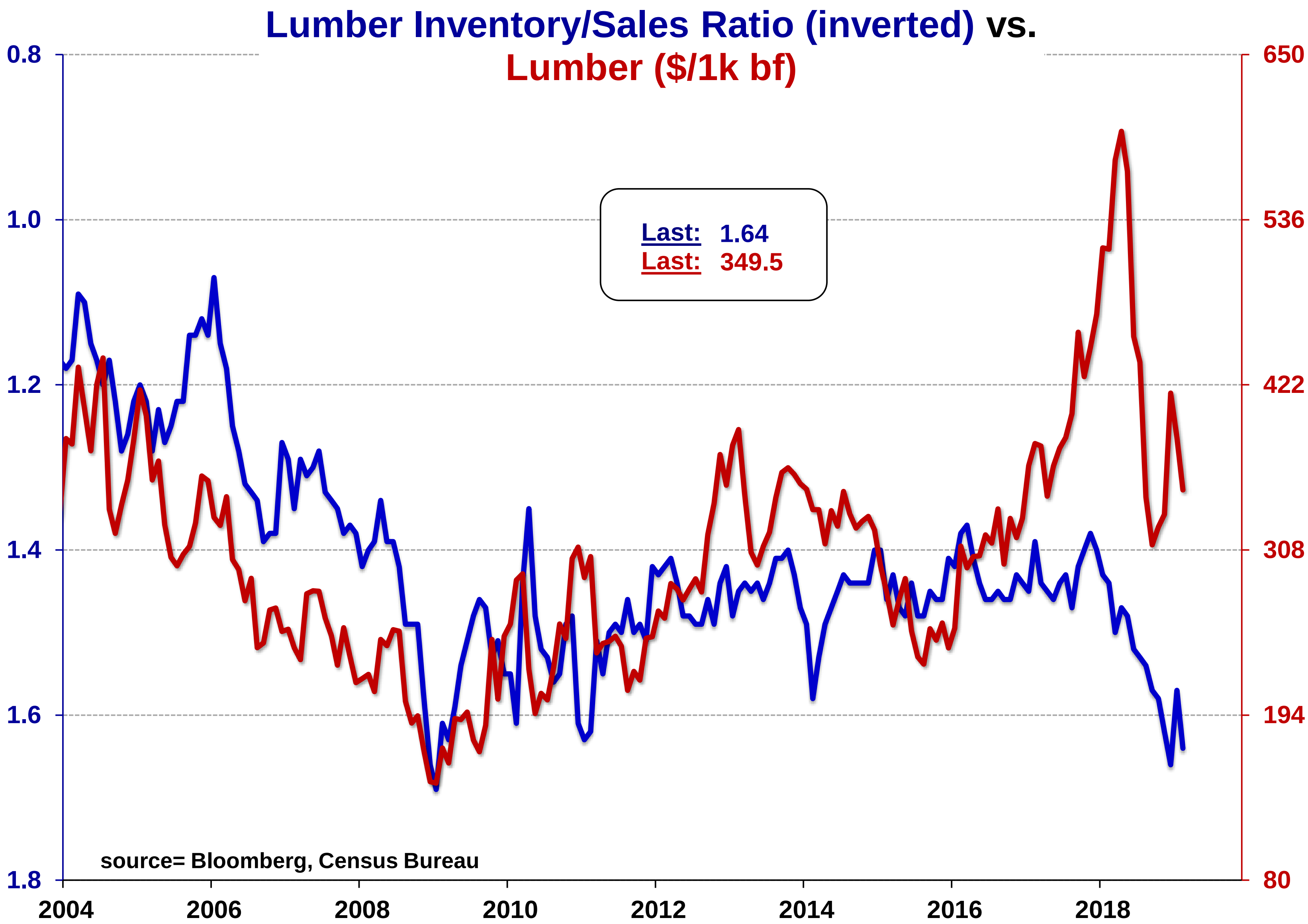
Housing Starts drop for 2nd straight month: -0.3%, down 6 of last 7 months. **Chart**: excluding post-recession 'noise', Housing Starts post biggest y/y drop since the recession.



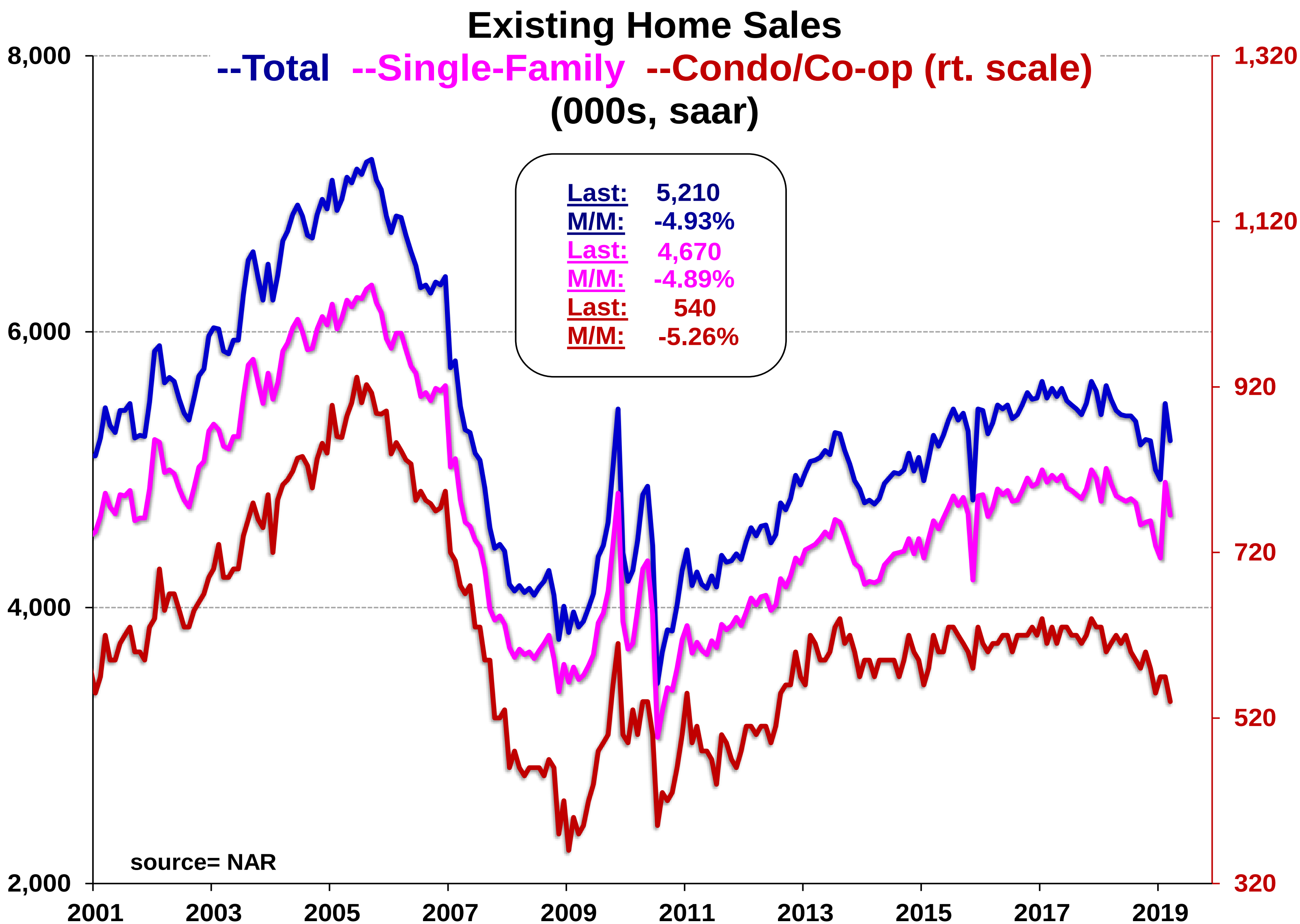
Latest Wholesale data show Lumber Inventory/Sales ratio back on the rise…suggesting Housing Starts likely to weaken further



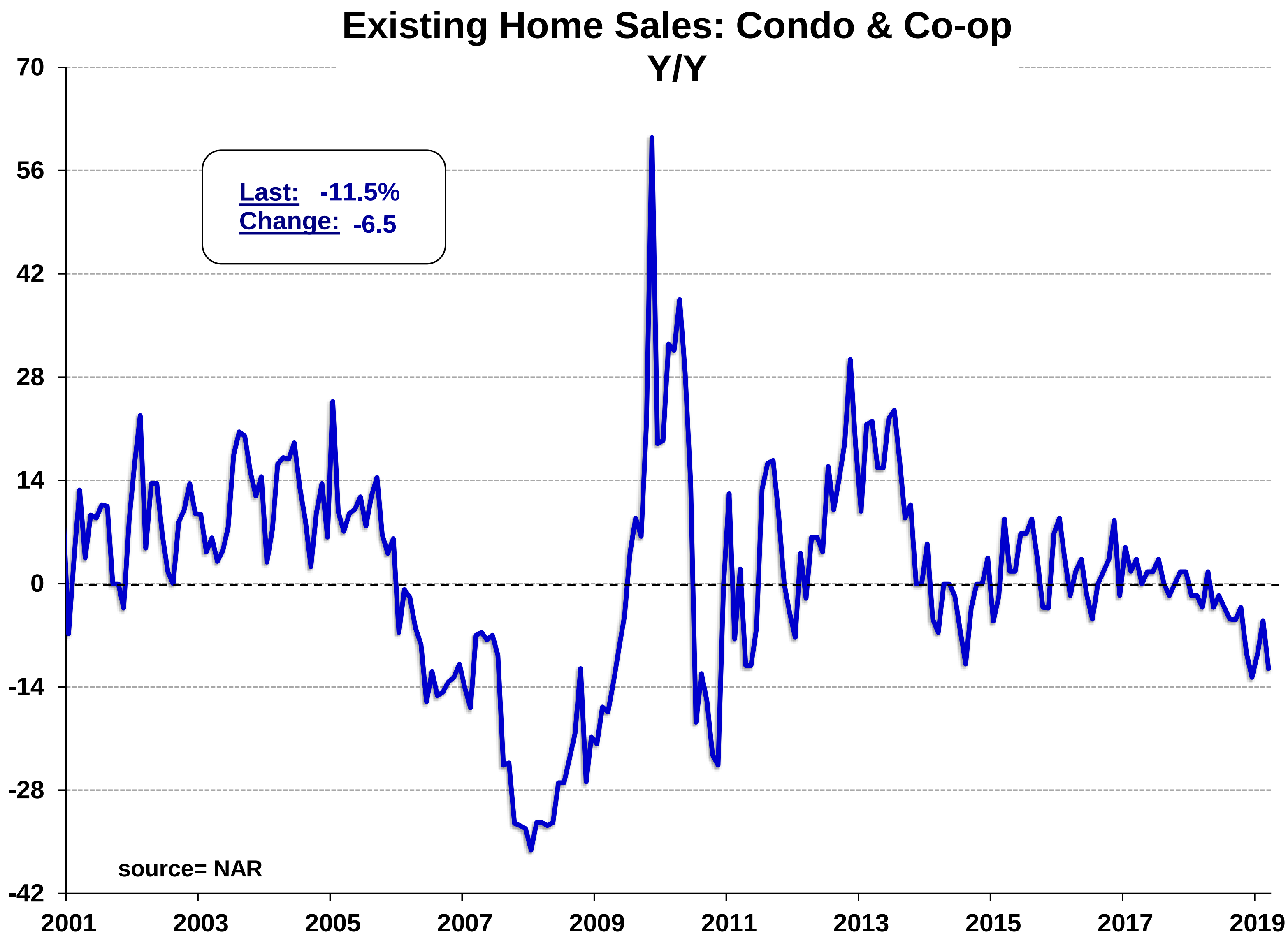
…and may indicate lower Lumber prices ahead



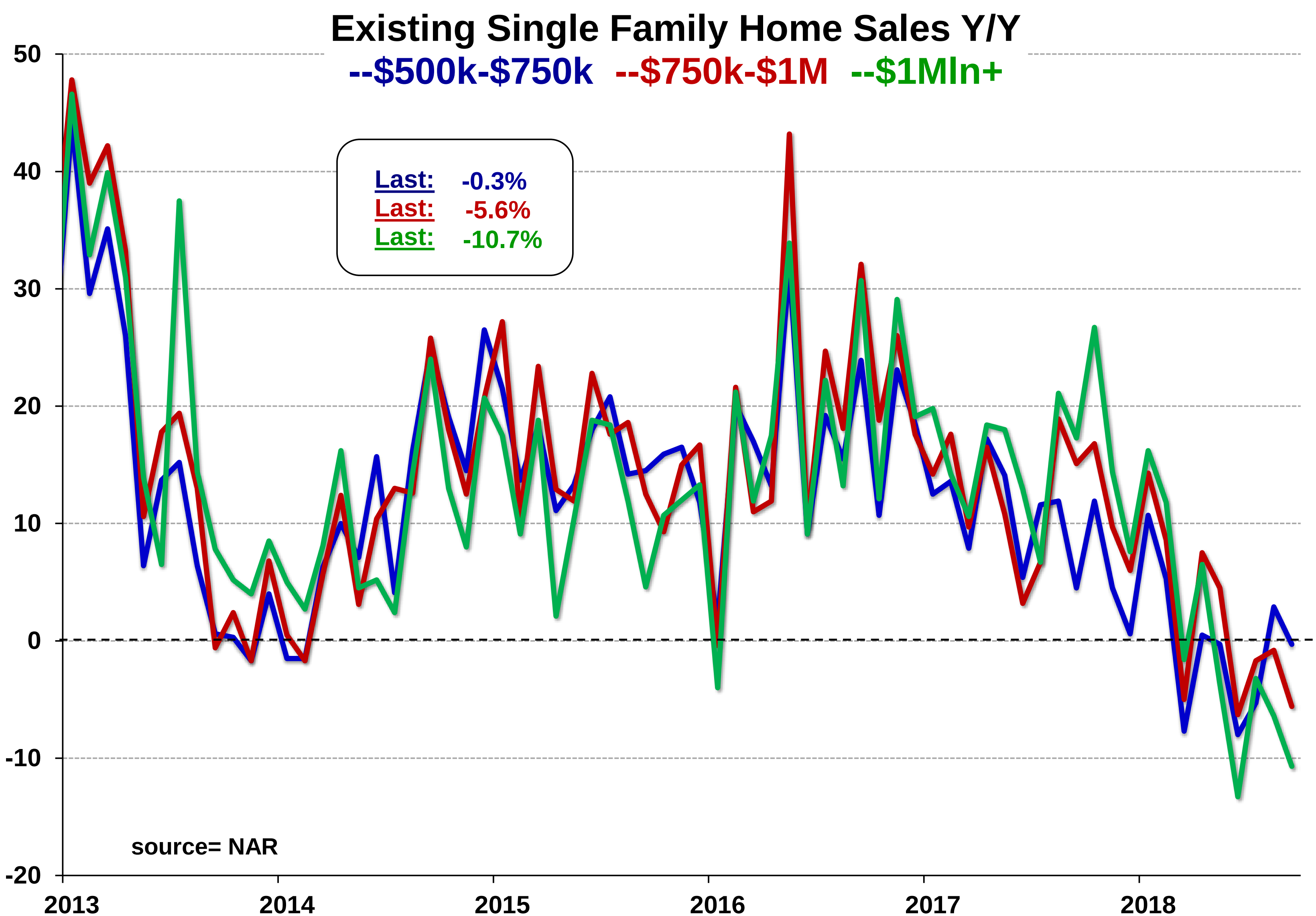
New Home Sales beat expectations and turn positive y/y, however Existing Home Sales drop -4.9% m/m, down 11 of last 15 months. Within the report, we find Condo & Co-Op sales data accelerating to downside: -5.3% m/m.



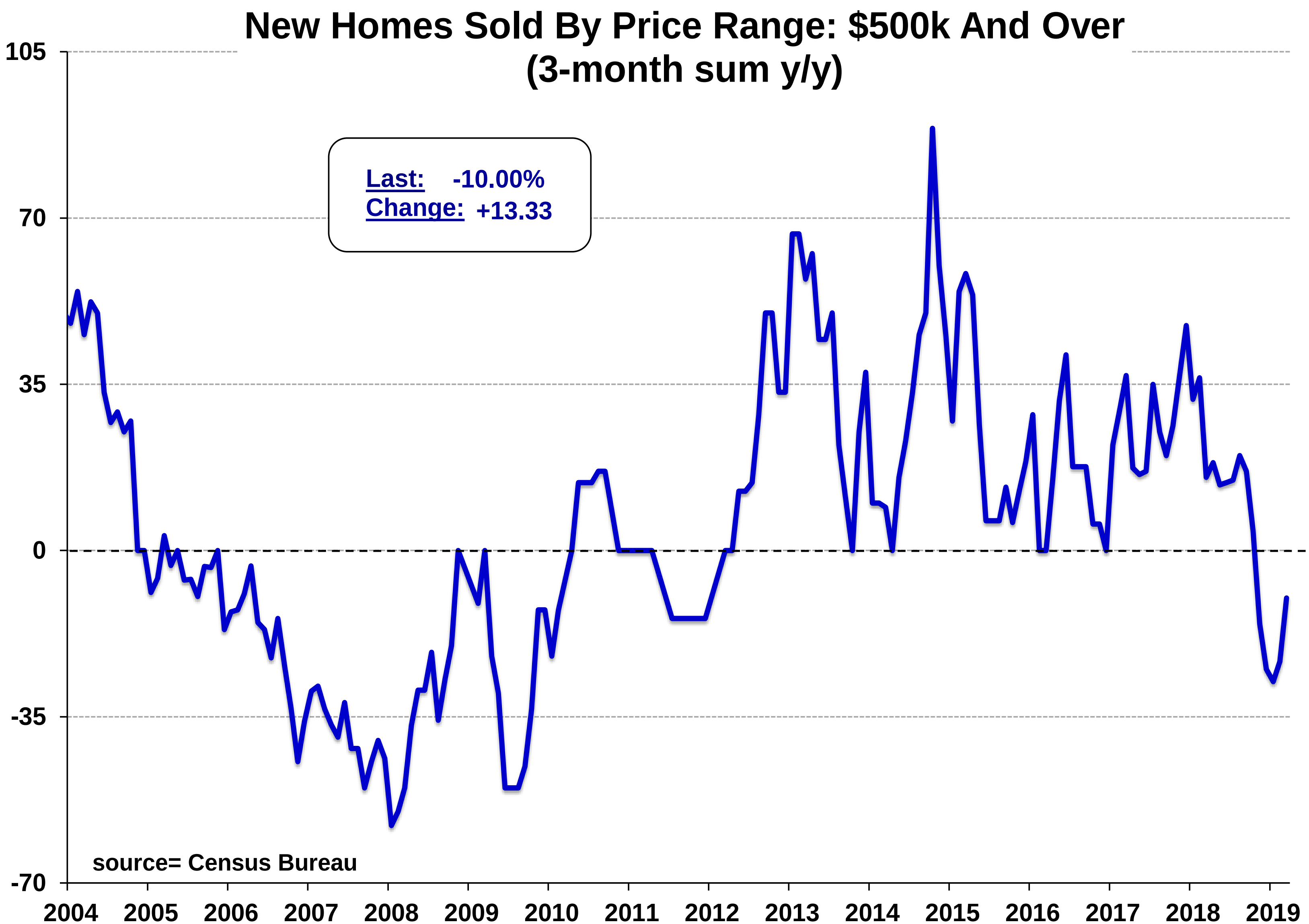
Condo & Co-Op Sales down -11.5% y/y



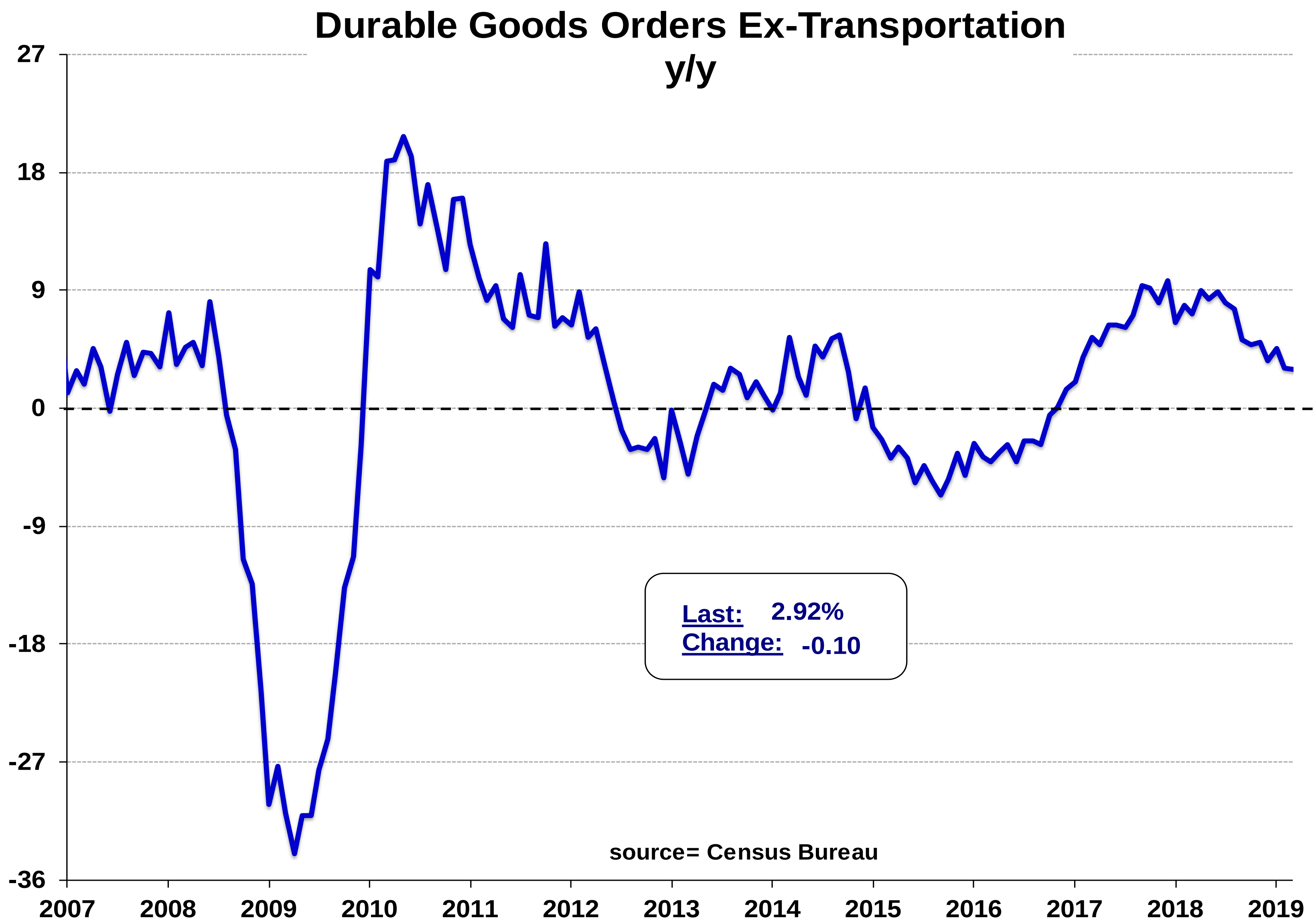
Existing Home Sales at high end continue to fade…



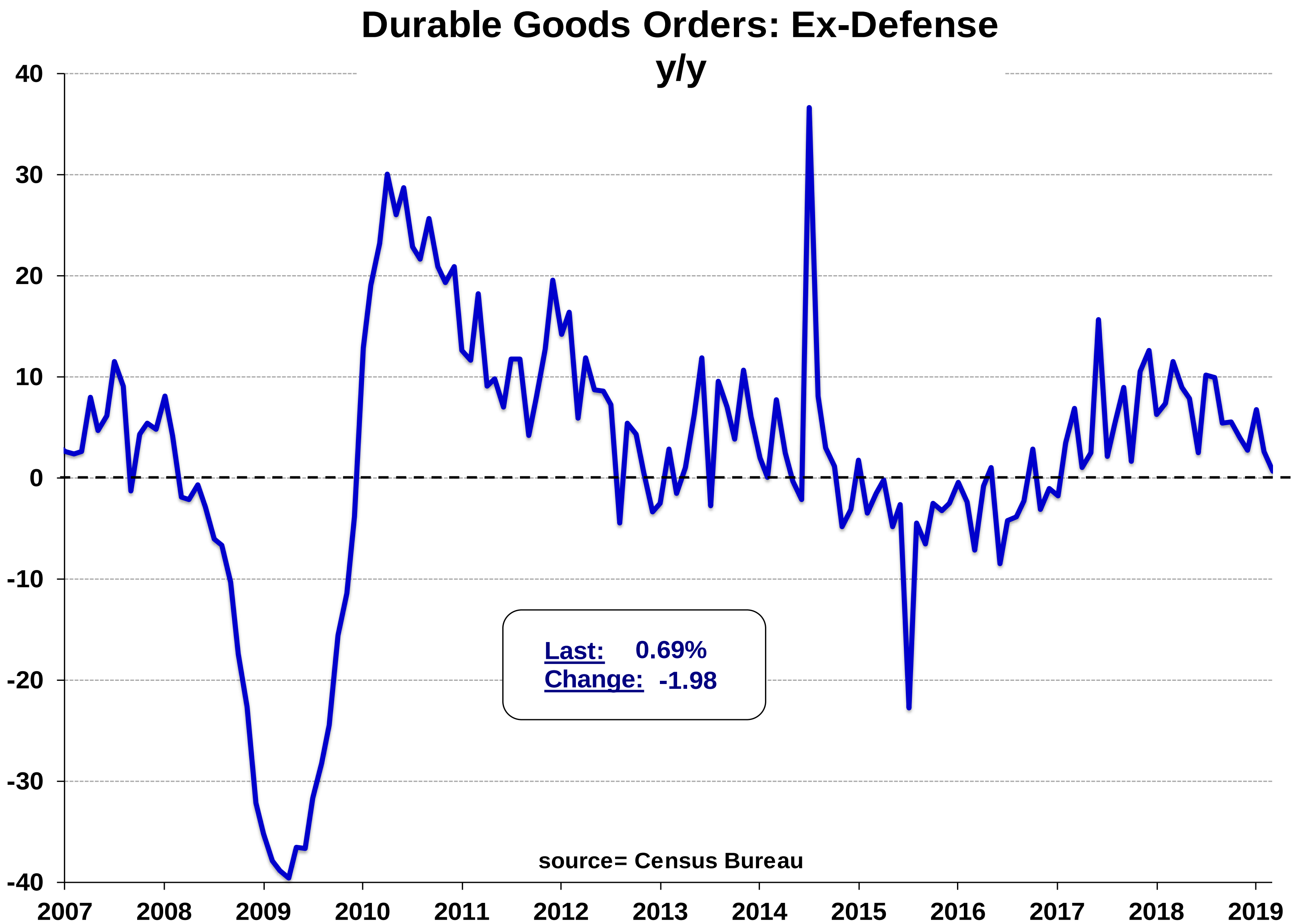
…as do high end New Home Sales.



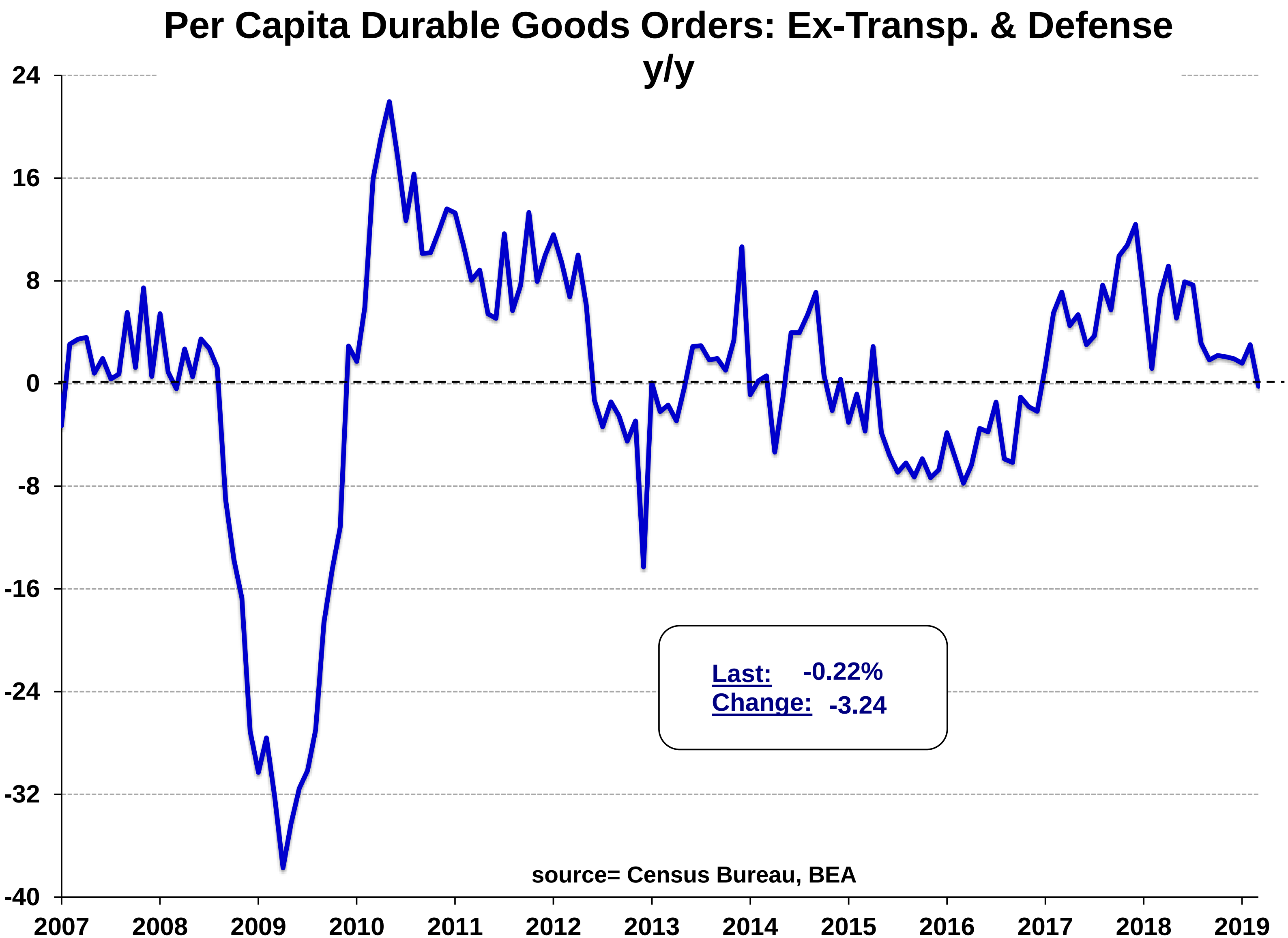
Durable Goods Orders (March data) beat expectations: +2.7% m/m vs. expectations of +0.8% (largely due to jump in Defense, Non-Defense Aircraft orders). The bad news: y/y readings trending lower.



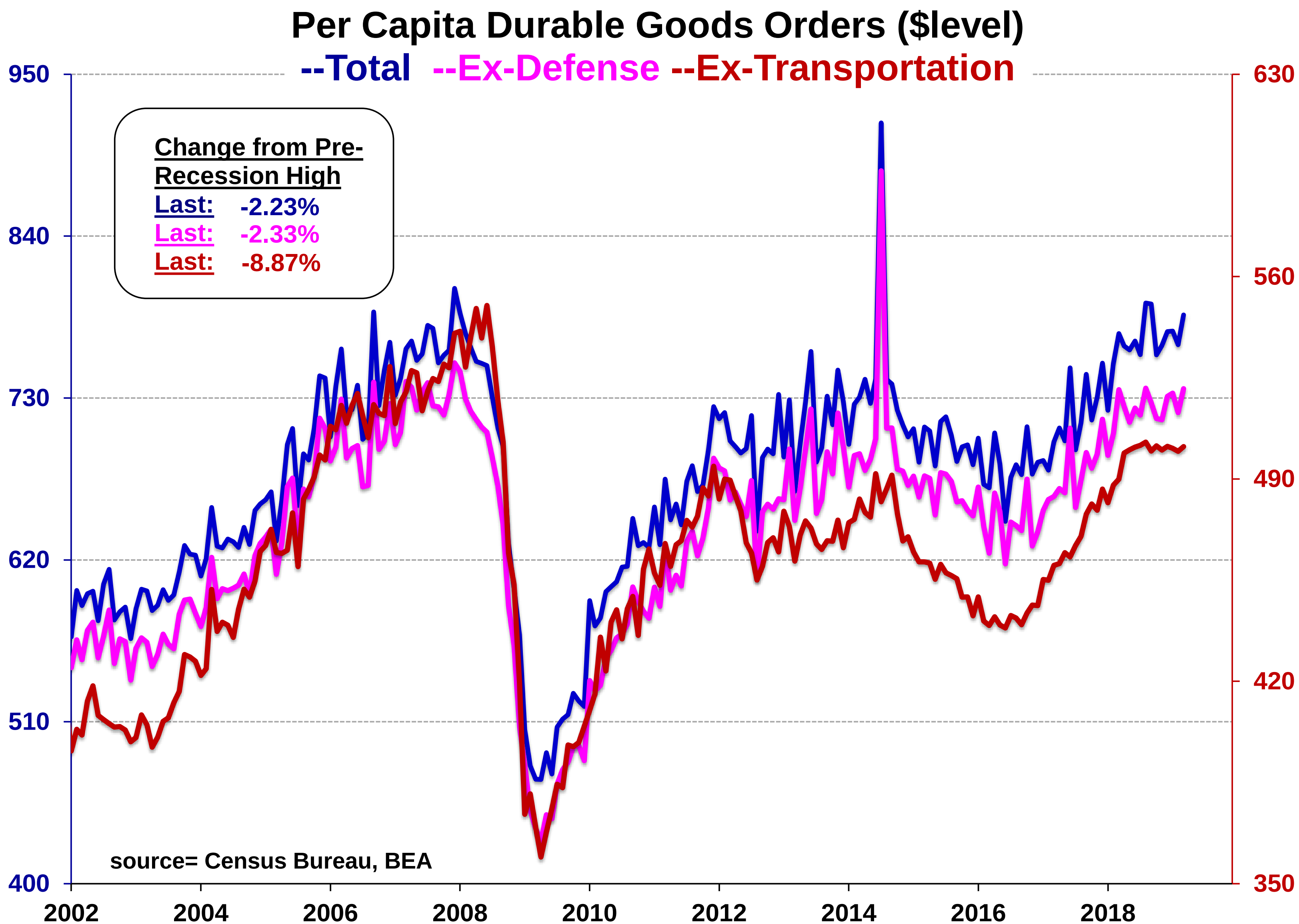
Orders Ex-Defense nearly turn negative y/y. As with GDP report data (coming up in our report), we find Government Spending on the rise while consumer-related data weakening.



On a per capita basis, Orders Ex-Transportation & Defense posted first negative y/y reading since Dec. 2016.

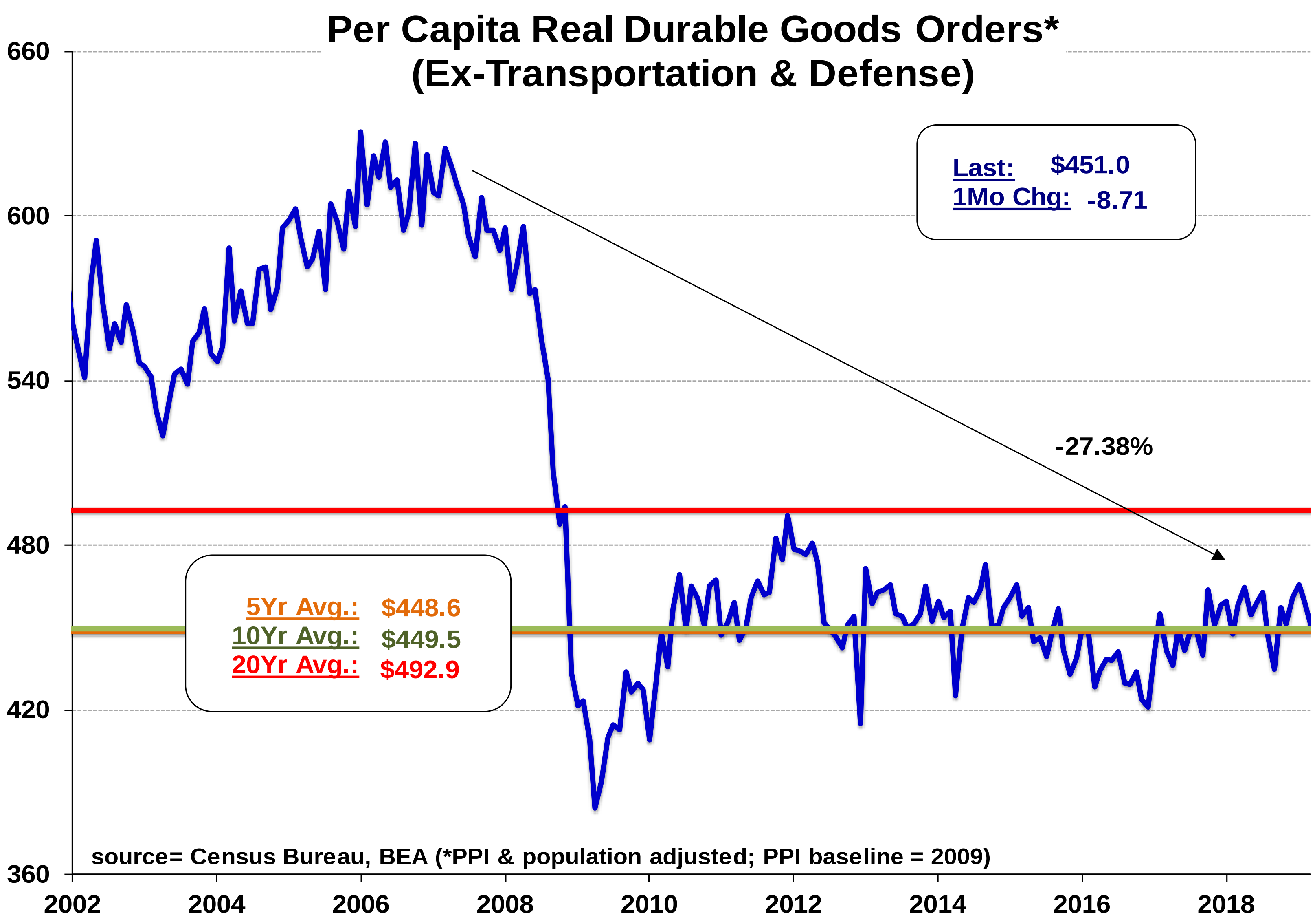


The big picture: on a per capita basis, Orders have not broken above pre-recession highs. Moving in the right direction, yes, however very weak considering we're 11 years into a 'recovery'.

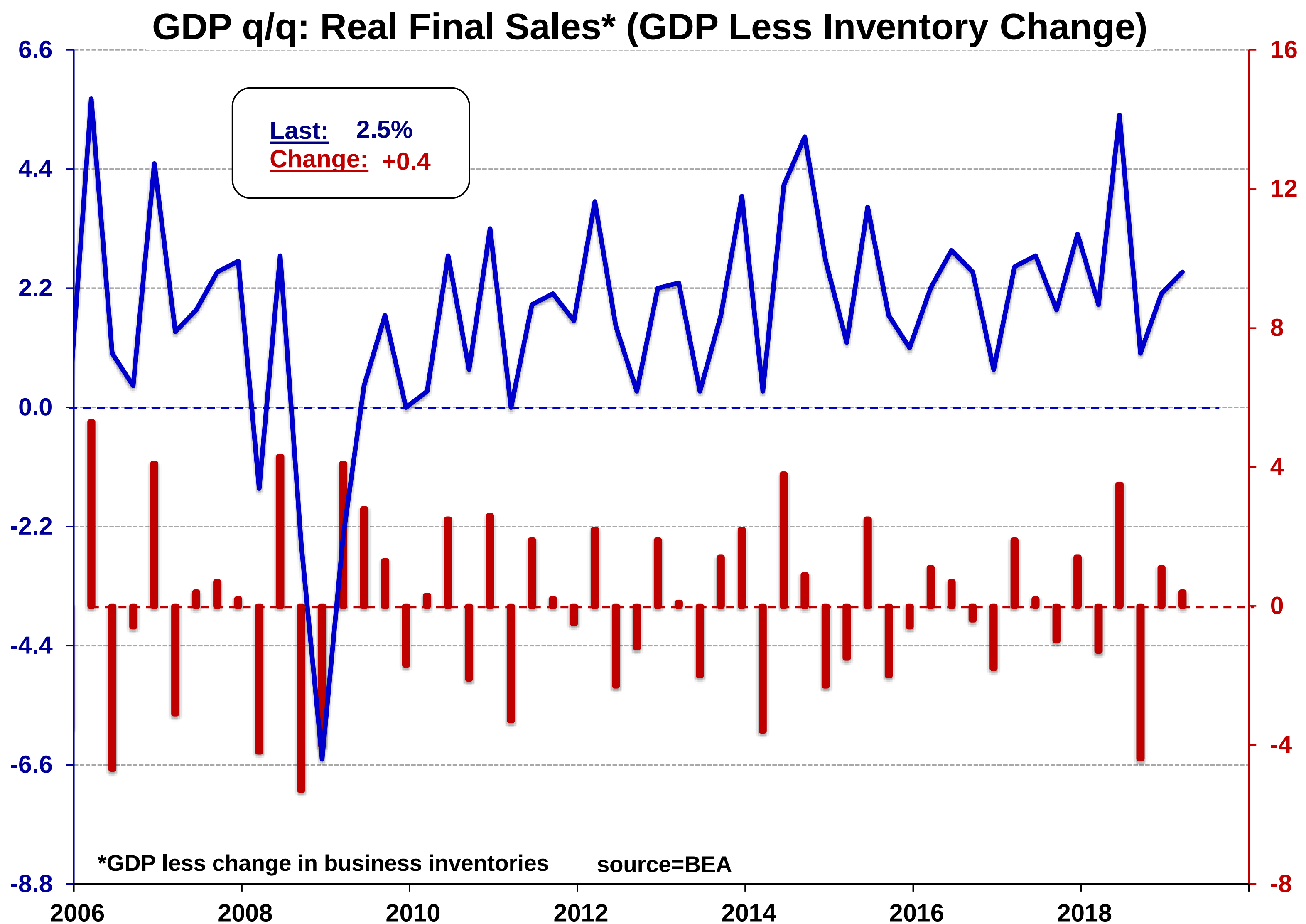


The ‘real’ big picture:

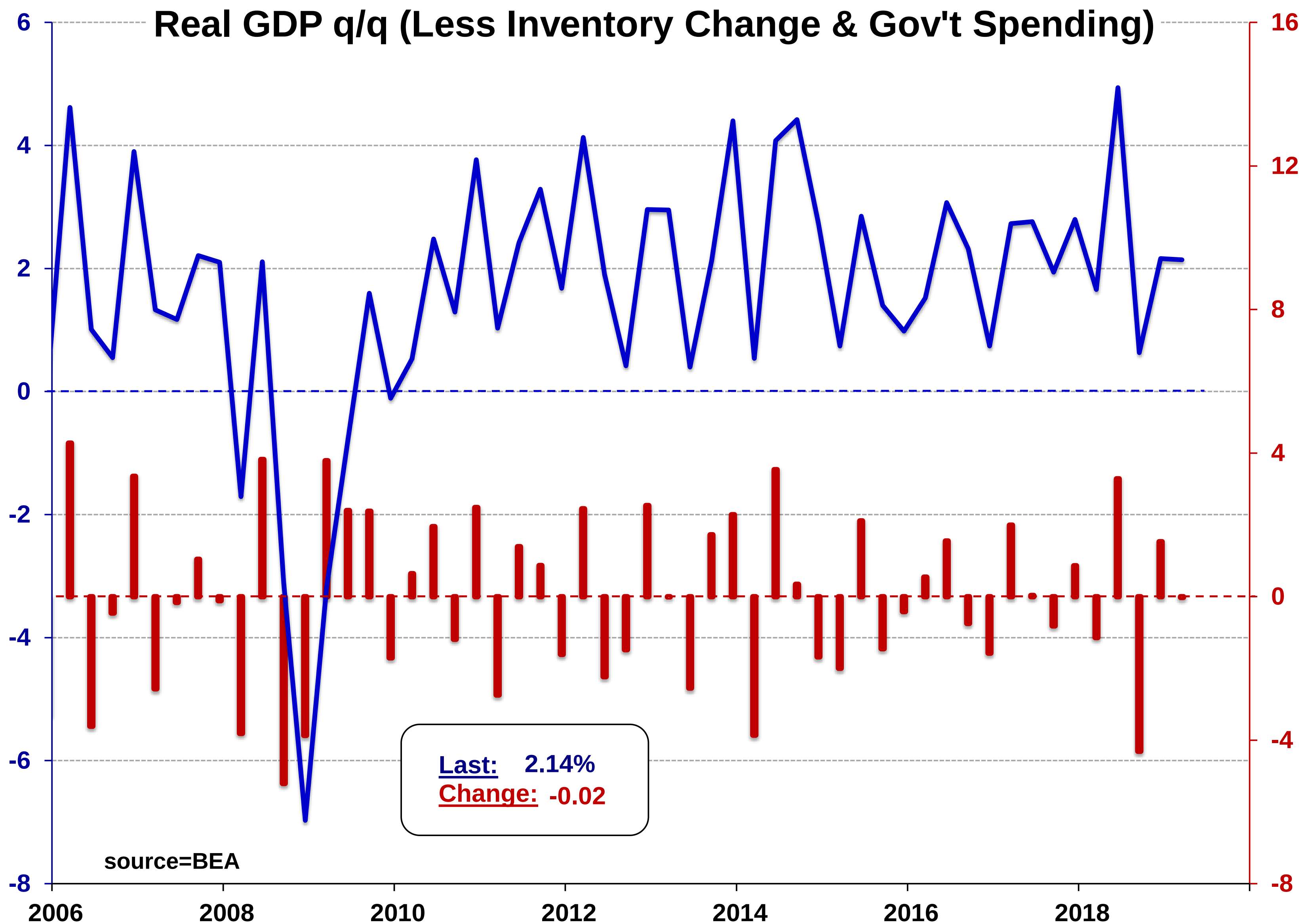
Real (per capita, PPI adjusted) Orders Ex-Transportation & Defense: down -27% from pre- recession highs.



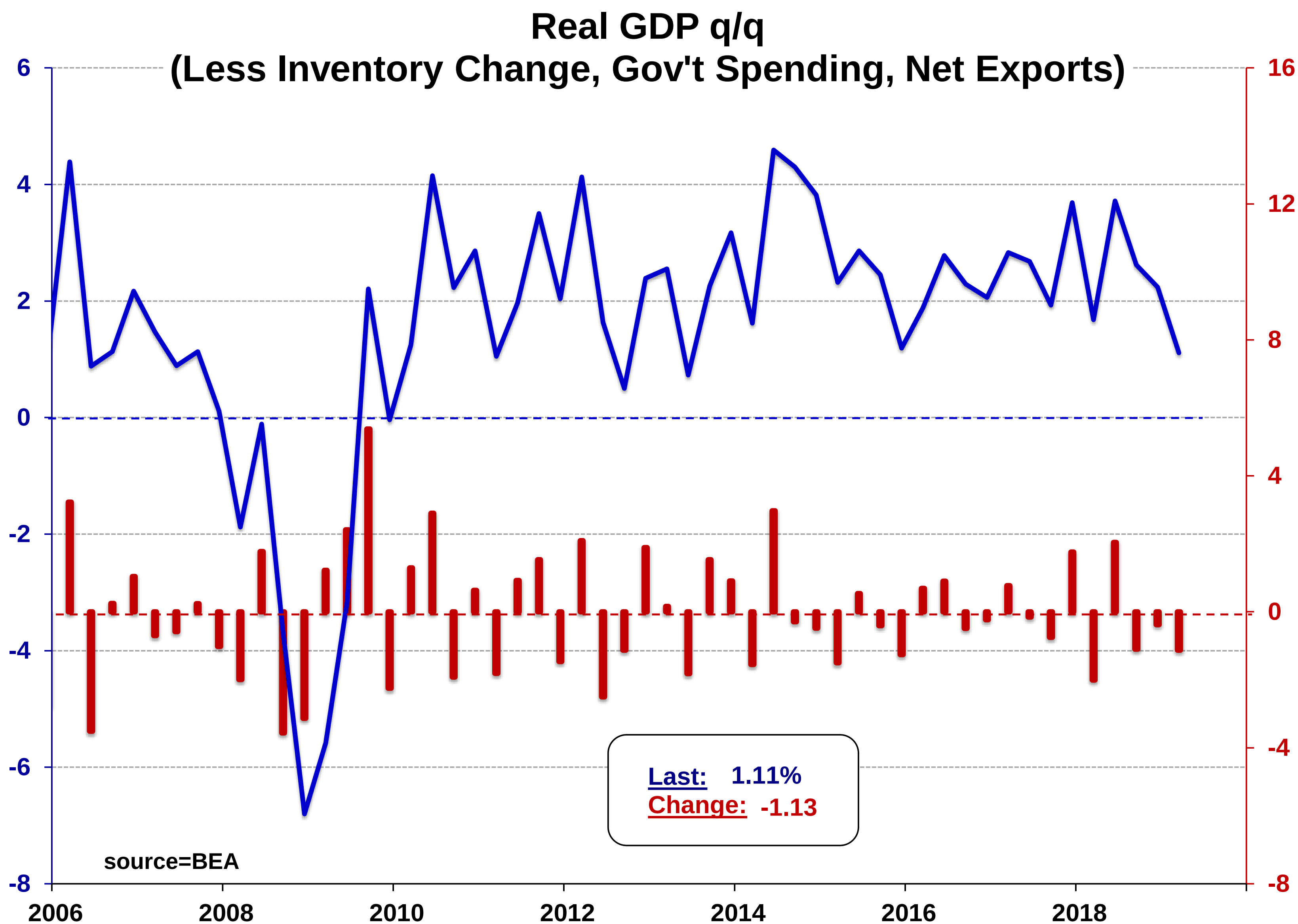
Initial reading of Q1 GDP handily beats expectations with a 3.2% print, however upon closer inspection we find the report far less compelling, even a bit worrisome with respect to consumption data. **Chart:** Real Final Sales (GDP less Inventory change) came in at 2.5%...



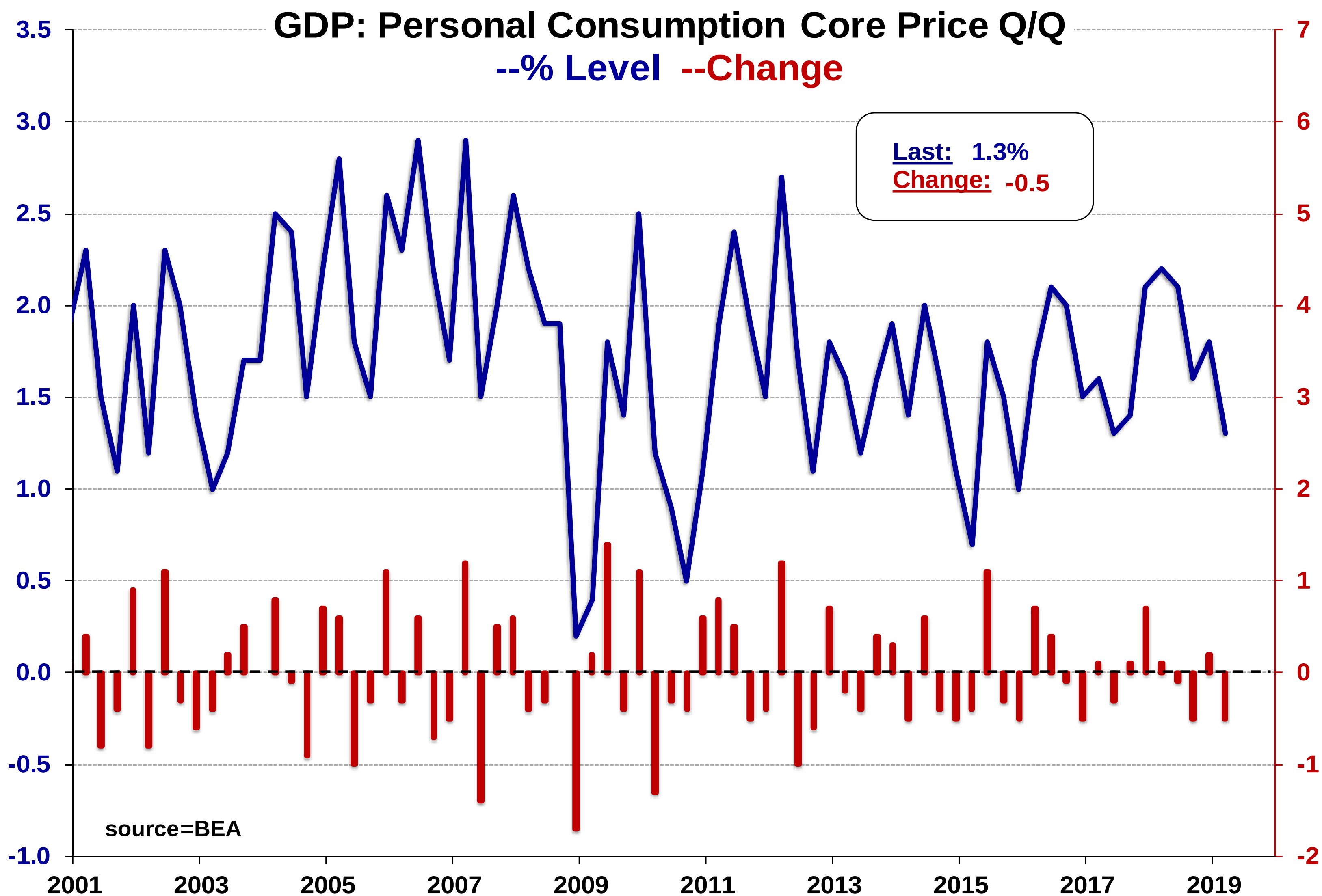
Excluding Inventory Change + Government Spending, **GDP ticked down slightly from Q4 to 2.1%**



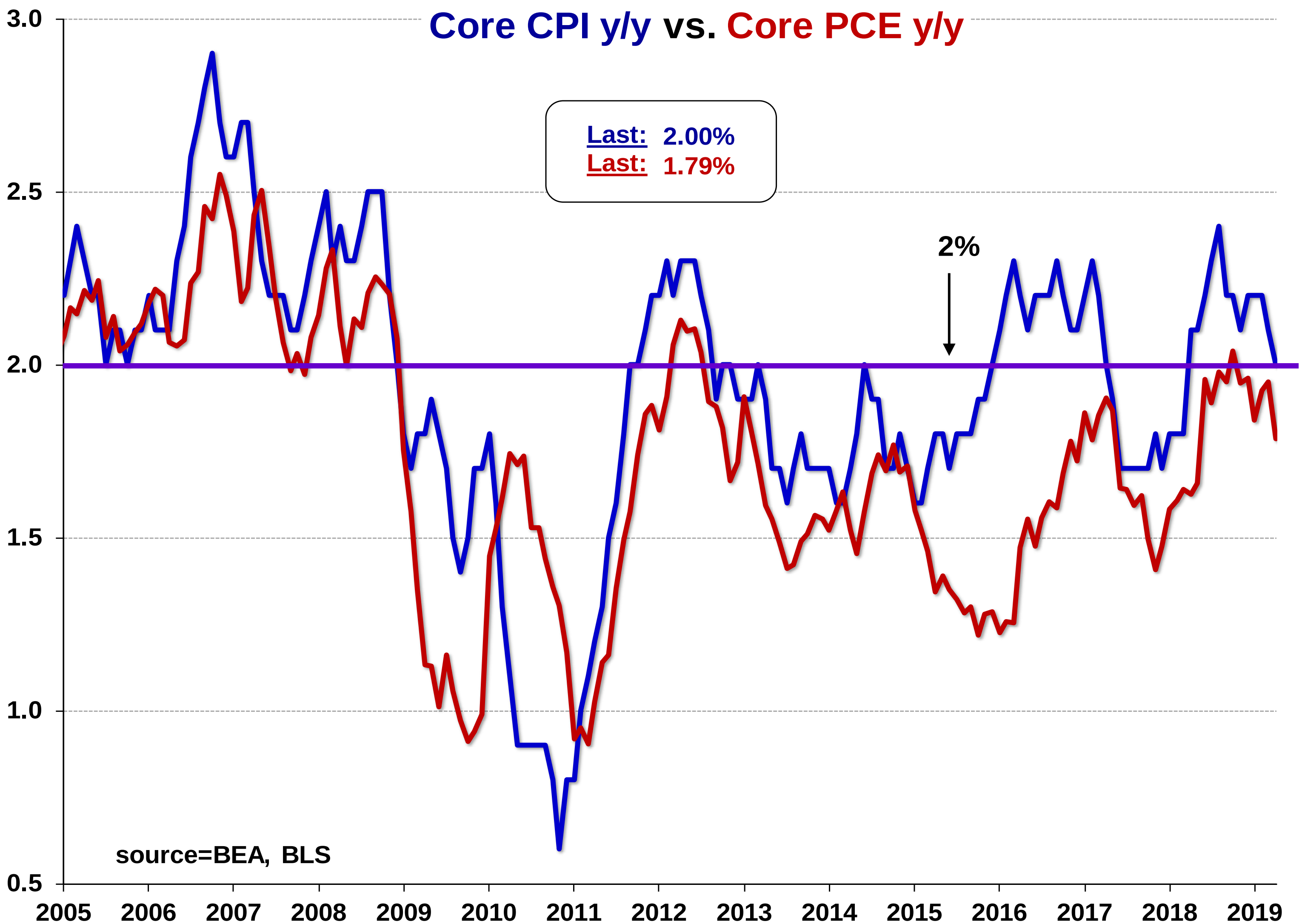
Excluding Inventory + Gov't Spending + Net Exports, **GDP cut by half to 1.11%, lowest since Q2 2016**



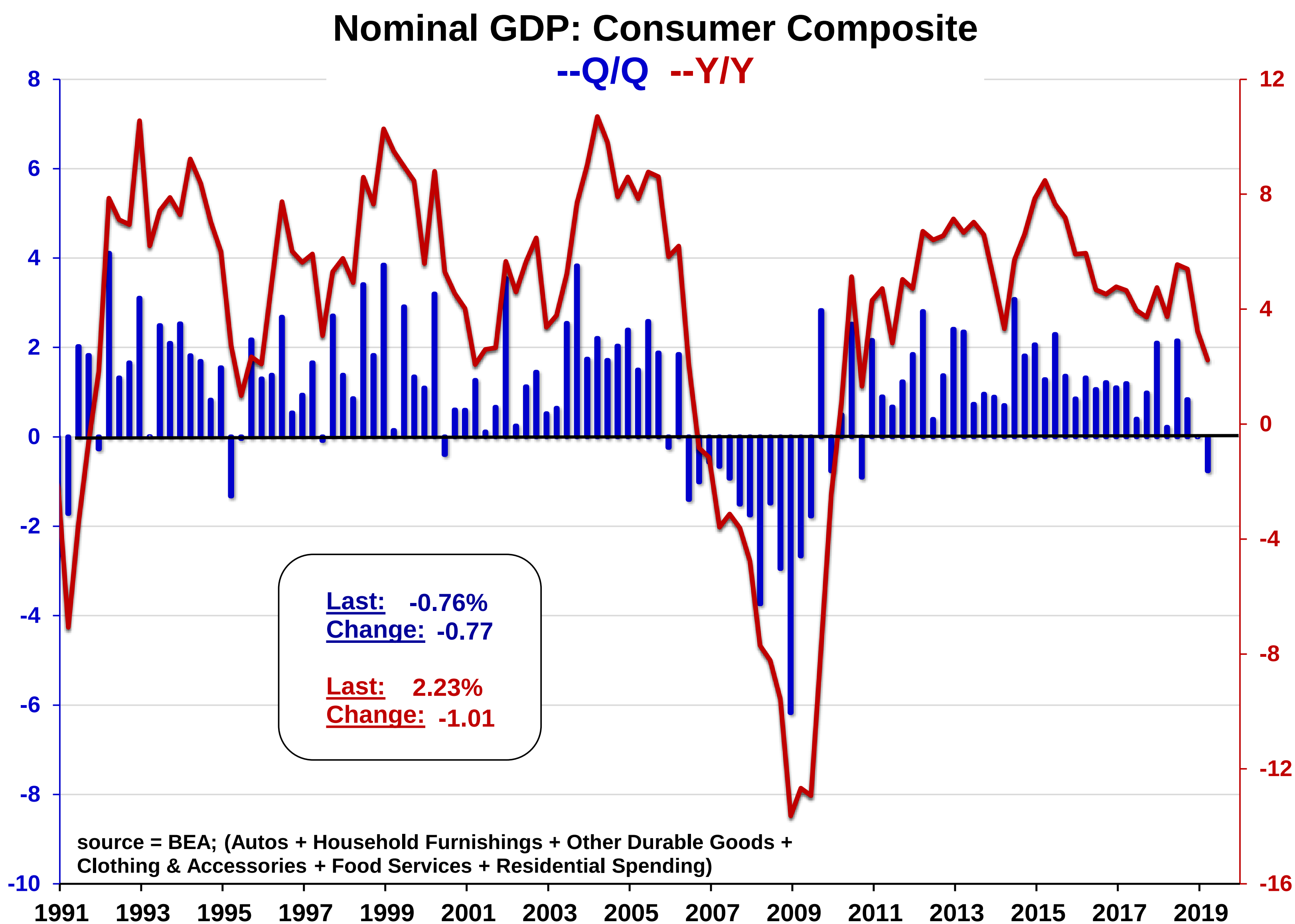
Weak consumption: The Fed's preferred inflation measure…Core PCE…came in at 1.3% q/q (lowest since Q2 2017), down from 1.8% in Q4 and below expectations of 1.4%. We suspect the Fed will pour some cold water on the GDP report at this week's Fed meeting, citing weaker than expected consumer data plus weaker price data.



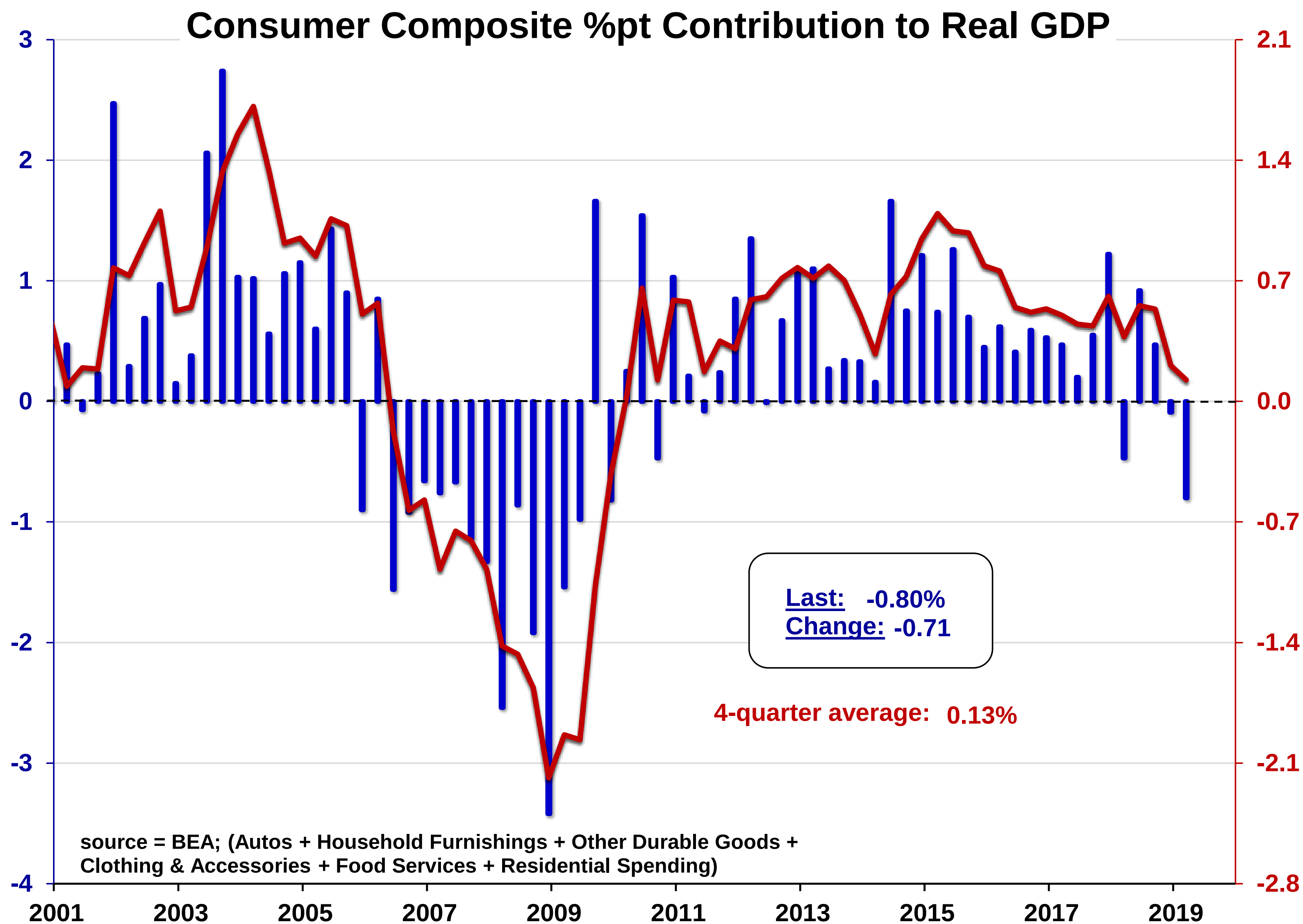
CPI trending lower along with PCE. Tomorrow (Monday) comes Consumer Spending update…a combination of Feb. + March data…which should show Core PCE y/y slipping further. As such, we could well see a weaker dollar leading to Fed decision on Wednesday. Chart: no doubt the Fed is concerned PCE has been unable to hold above 2% target since the recession.



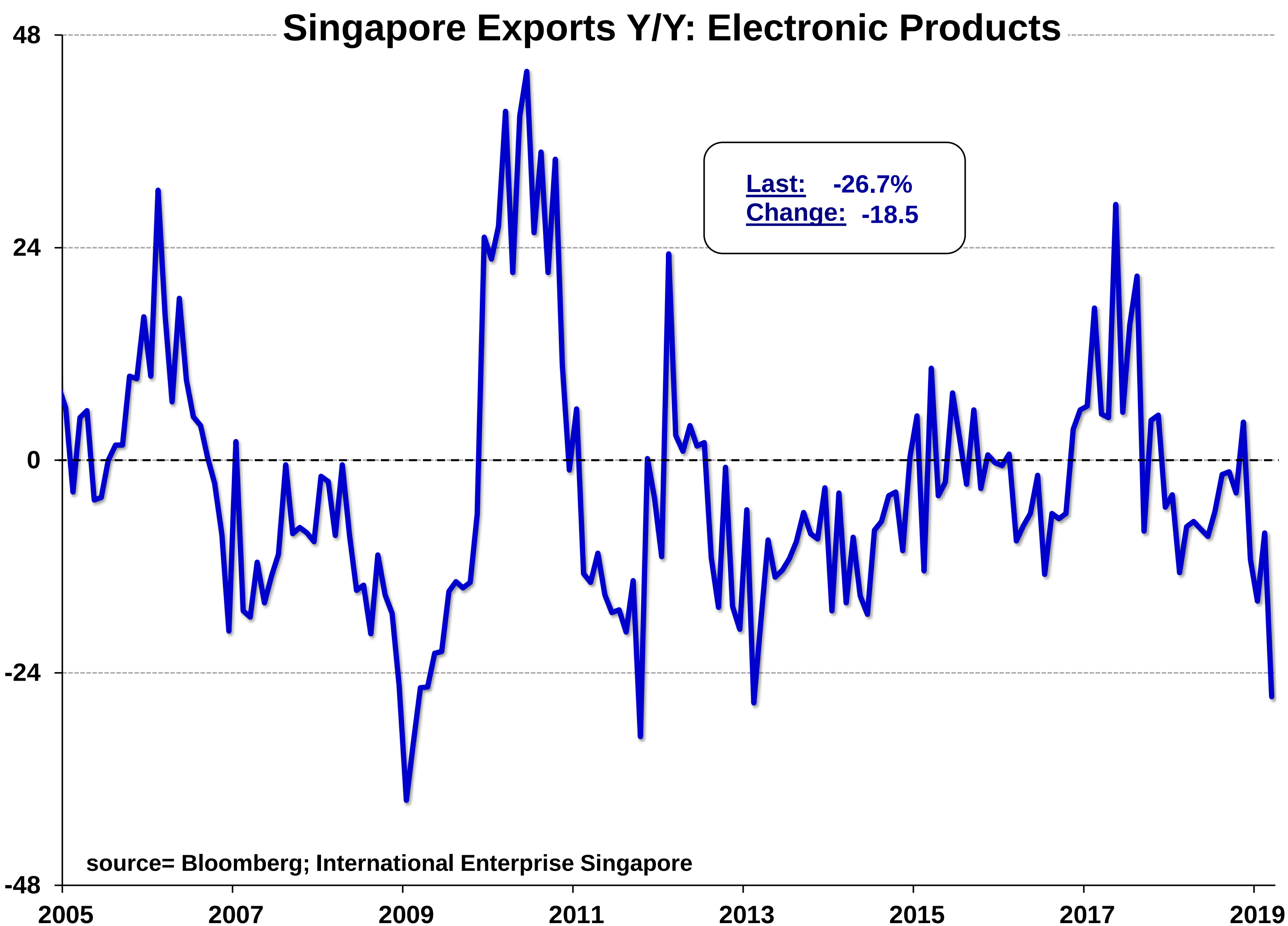
Excluding post-recession 'noise', our Consumer Composite (excludes gasoline) reading of Nominal GDP posts **first negative print and biggest q/q drop since the recession**.



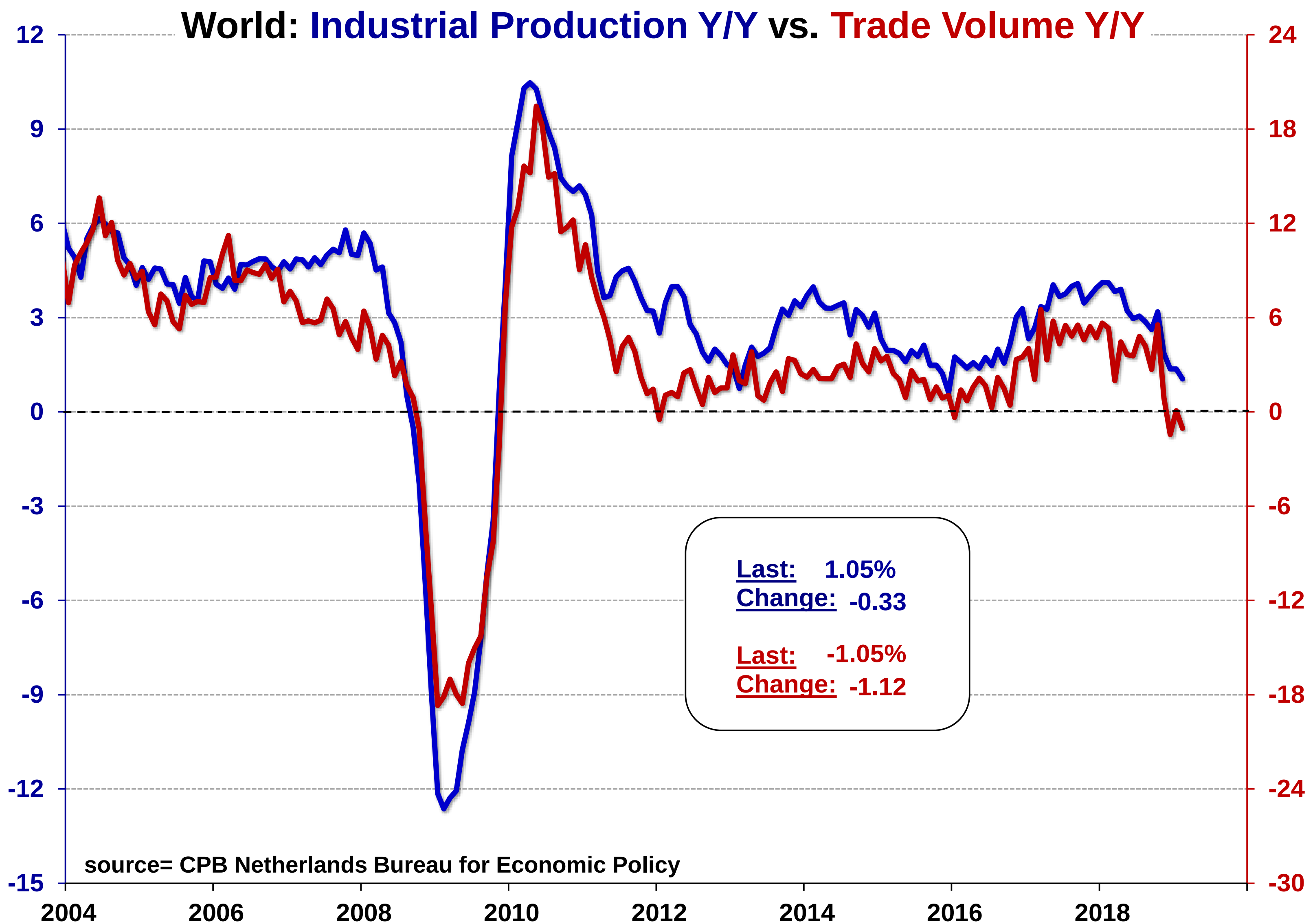
Consumer Composite indicators (Autos, Household Furnishings, Other Durable Goods, Clothing & Accessories, Food Services, Residential Spending) post **biggest quarterly drag on GDP since the recession**: 80bps (and 4-quarter average is lowest since the recession).



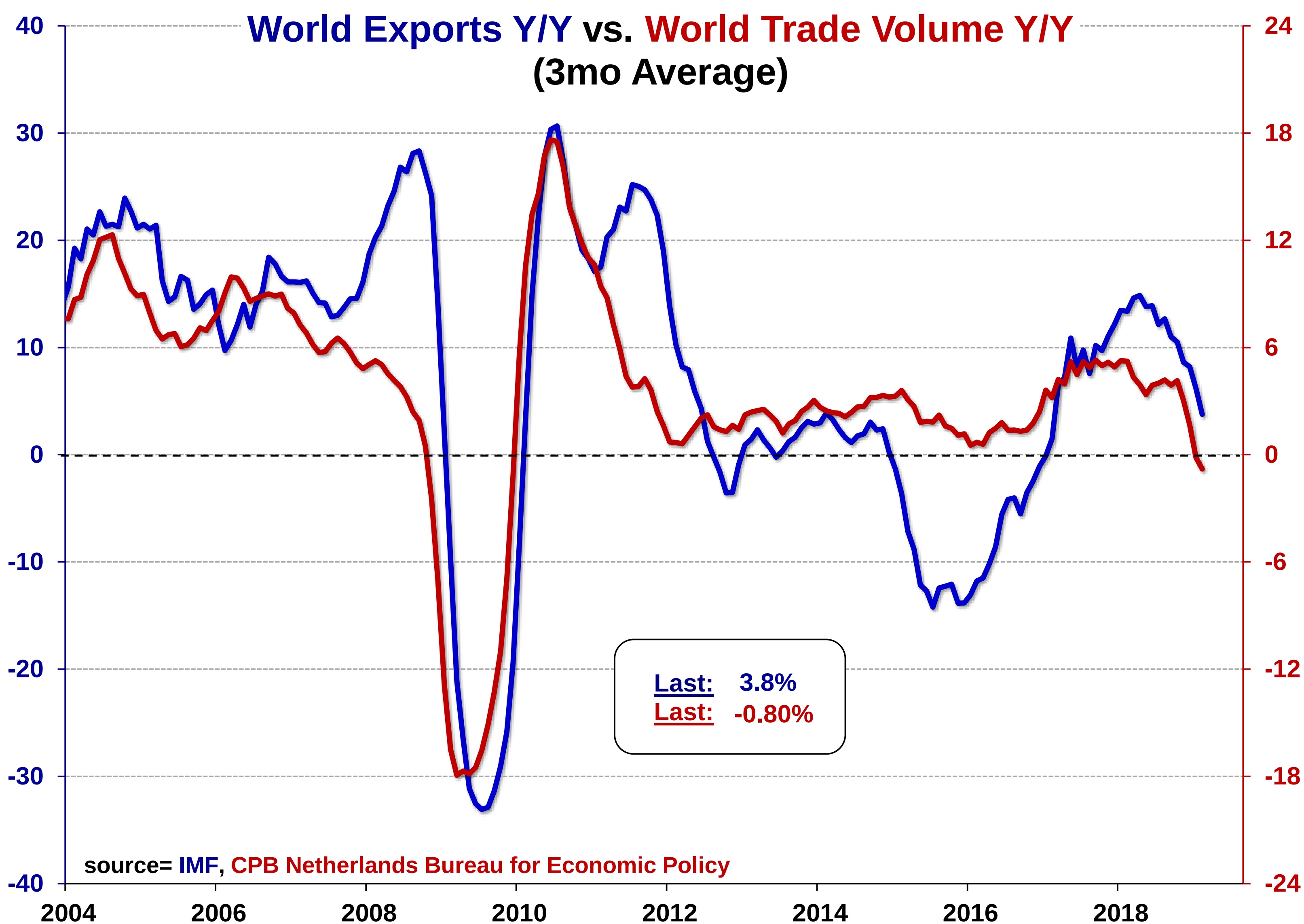
Weak global cues: latest data from Singapore show Electronic Product exports tumbling -27% y/y …third lowest print since the recession (data thru March).



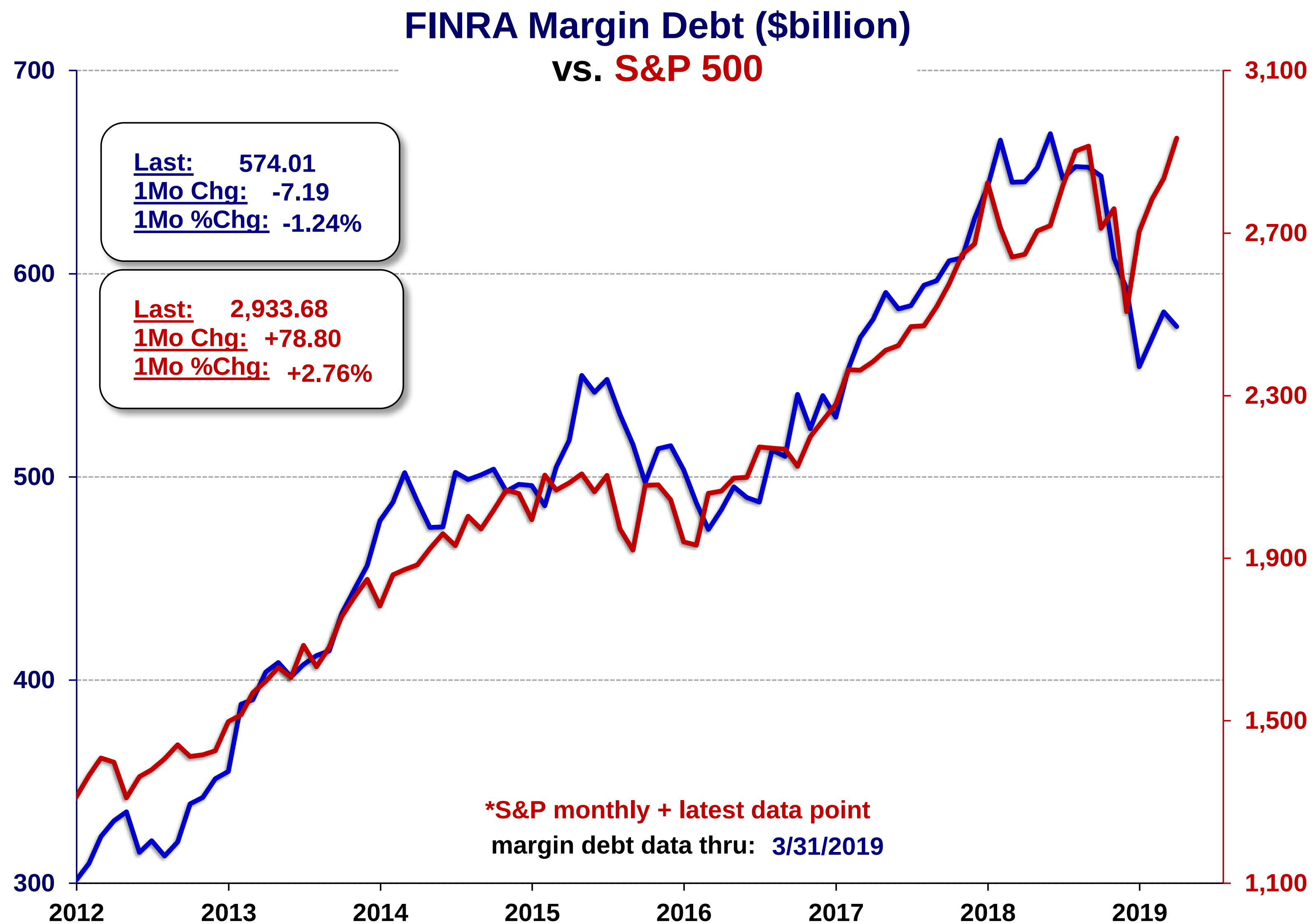
Latest (February) data show World Trade Volume turning negative again (negative y/y prints last 2 of 3 months) with World Industrial Production tracking lower.



World Trade Volume y/y (3mo average): -0.8%...lowest since the recession.
World Exports (IMF data, 2 month lag) tracking lower.



Last couple of charts this week: Margin Debt actually fell in March…amidst biggest first quarter market rally since 1998. This is not an anomaly of course, but it's worth noting considering the market surge.



And finally: Tax cuts have led to surge in….buybacks. Who'd have guessed?