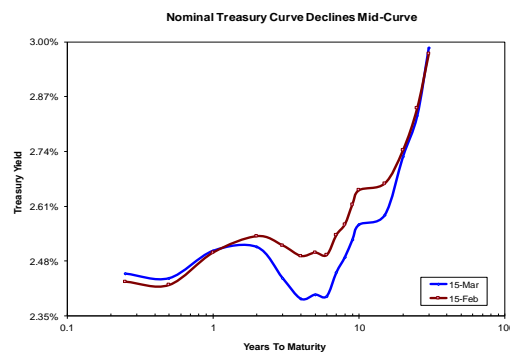


While the Federal Reserve never accepted responsibility for the 2018:Q4 stock market declines, its embrace of a more dovish policy is strong evidence for the converse. Global equities have managed to rally in the face of slowing growth and no resolution yet of the U.S.-China trade impasse. However, the Federal Reserve is going to seize the first opportunity to resume its rate-hike path; tightening things until they break is what they do. The causal chain now is:

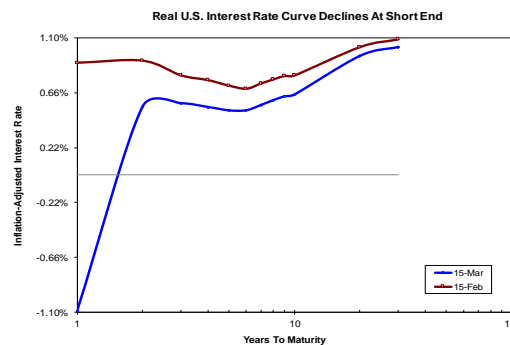
1. The market has priced out a 2019 rate hike but has yet to price in a rate cut;
2. The yield curve is holding its positive slope;
3. Inflationary expectations have stopped declining;
4. Short-term borrowers are accepting rollover risk rather than term-out borrowing in the bond market;
5. Swap spreads are declining; and
6. CDS costs continue to mirror equity movements.

### Key Market Indications

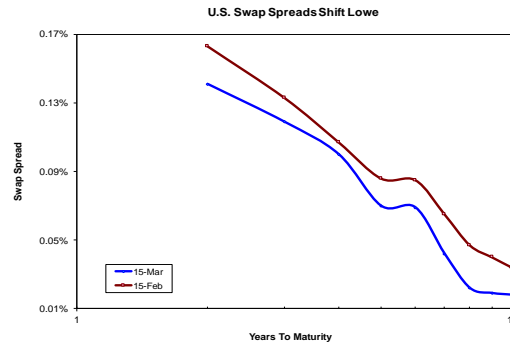
The rally in UST continues and the ten-year is approaching early-January lows. The market remains convinced inflation will not move out of hand and overseas investors will continue to finance the expanding U.S. current account deficit.



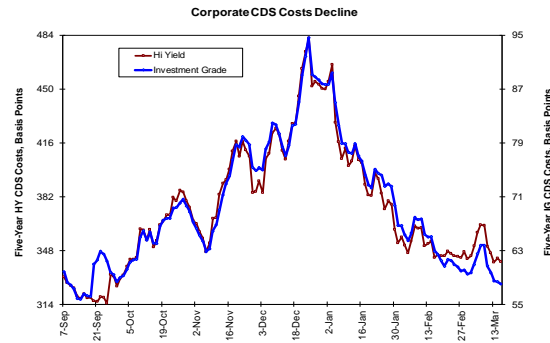
The strong decline in pseudo-real short-term rates continues and is being joined at the long end as breakevens rise in the face of declining nominal yields. This is bullish for both precious metals and for risky financial assets.



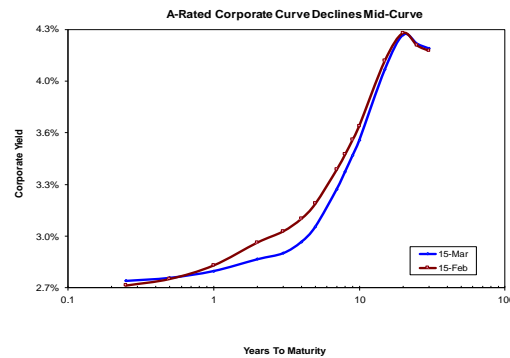
Swap spreads, which rise when floating-rate borrowers want to fix their payments, have declined across all tenors. The market is complacent about higher credit spreads and interest rate shifts.



CDS costs declined as corporate bonds rallied and as correlation trades against equities mandated the selling of credit protection. This decline in the face of a slowing economy is most unusual and is setting corporate bonds up for a shock if and when yields rise.



Corporate bonds are rallying mid-curve in response to a combination of lower UST yields and declining credit spreads. Investors forget on occasion these are not risk-free assets.



### Market Structure

Only Natural Gas and Livestock are in structural uptrends amongst physical assets; Grains, Precious Metals and Softs are in downtrends. The dollar index exited its uptrend and all of the stock indices are entering formations consistent with bull market consolidations.

	N-Day Speed	Market Structure	Trend Oscillator	HLC Volatility	Daily Trend Rate Mar. 18 - 22
BBERG	15	Transitional	0.070	7.7%	
BBERG Grain	29	Trending	-0.129	13.1%	-0.12%
BBERG Ind. Metl	10	Sideways	-0.004	12.3%	
BBERG Pre. Metl	29	Trending	-0.124	7.2%	-0.19%
BBERG Softs	29	Trending	-0.098	13.2%	-0.41%
BBERG Nat. Gas	29	Trending	0.102	17.9%	0.55%
BBERG Petroleum	10	Sideways	0.050	19.1%	
BBERG Livestock	29	Trending	0.606	9.4%	0.06%
Dollar Index	29	Trending	-0.015	4.4%	
S&P 500 Index	10	Sideways	0.131	9.8%	
EAFE Index	10	Sideways	0.162	7.5%	
EM Index	14	Transitional	0.077	7.6%	
Ten-year UST (price)	29	Trending	0.171	3.6%	0.20%

## Performance Measures

Hogs returned close to 11.8% on the week; too bad this is a minor market. Grains and the Petroleum complex had strong gains as well, while Natural Gas declined.

	Commodity Total Returns			
	Five-Days	One Month	Six Months	One Year
<b>Bloomberg Index</b>	1.44%	0.96%	-0.24%	-4.58%
<b>Grains Sub-Index</b>	2.65%	-3.55%	0.27%	-15.02%
Corn	2.52%	-2.30%	4.52%	-12.85%
Soybeans	1.55%	-1.14%	8.00%	-18.05%
Wheat	5.23%	-8.65%	-10.68%	-11.12%
<b>Energy Sub-Index</b>	1.33%	2.89%	-9.63%	3.04%
Petroleum Sub-Index	2.51%	2.35%	-14.95%	0.13%
WTI	4.28%	4.23%	-16.27%	-3.22%
Brent	2.08%	1.47%	-14.27%	5.31%
ULSD	-1.10%	-1.90%	-9.88%	6.28%
Gasoline	2.55%	5.52%	-18.66%	-8.88%
Natural Gas	-2.33%	4.66%	0.59%	4.50%
<b>Precious Metals Sub-Index</b>	0.19%	-1.73%	8.21%	-2.64%
Gold	0.28%	-1.31%	8.44%	-1.40%
Silver	-0.12%	-3.08%	7.69%	-6.63%
<b>Industrial Metals Sub-Index</b>	0.85%	3.79%	5.13%	-6.97%
Copper	0.48%	3.85%	6.77%	-7.09%
Aluminum	1.28%	1.83%	-6.76%	-7.05%
Nickel	-1.23%	4.28%	4.24%	-5.26%
Zinc	3.06%	5.74%	23.83%	-8.86%
<b>Softs Sub-Index</b>	1.61%	-1.81%	-2.14%	-14.52%
Coffee	-0.66%	-3.61%	-3.02%	-25.40%
Sugar	2.84%	-3.51%	11.23%	-7.13%
Cotton	2.78%	5.26%	-6.49%	-8.22%
<b>Livestock Sub-Index</b>	4.44%	6.52%	6.50%	7.60%
Cattle	0.56%	2.67%	7.69%	10.21%
Hogs	11.78%	13.50%	1.81%	0.68%

Only the JPY declined against the USD this past week as a risk-on mood led to global equity market rallies and a diminution of the haven bid into the USD. This is starting to carry the seeds of its own destruction as the Federal Reserve likely will use the calm in financial markets to resume its rate-hike path later in the year.

	Currency Returns			
	Five-Days	One Month	Six Months	One Year
Euro	0.81%	0.27%	-3.06%	-7.96%
Chinese yuan	0.11%	0.89%	2.13%	-5.83%
Japanese yen	-0.28%	-0.91%	0.33%	-4.61%
British pound	2.11%	3.11%	1.01%	-4.64%
Swiss franc	0.61%	0.31%	-3.94%	-5.06%
Canadian dollar	0.60%	-0.69%	-2.20%	-2.13%
Australian dollar	0.57%	-0.78%	-1.35%	-9.14%
Swedish krona	2.22%	0.58%	-3.44%	-11.38%
Norwegian krone	2.80%	1.24%	-4.18%	-9.57%
New Zealand dollar	0.62%	-0.32%	4.07%	-5.94%
Indian rupee	1.52%	3.08%	4.94%	-6.03%
Brazilian real	1.35%	-2.96%	8.39%	-13.87%
Mexican peso	1.48%	0.23%	-1.92%	-2.64%
Chilean peso	0.40%	-0.73%	2.72%	-9.44%
Colombian peso	1.61%	0.57%	-3.55%	-8.93%
Bloomberg-JP Morgan Asian dollar index (spot)	0.24%	0.29%	1.76%	-4.45%

I commented years ago, "These aren't GDP futures." Were they, we would not be seeing a rally back to last October's breakdown levels. The key, and perhaps only, variable remains a more dovish stance by the Federal Reserve.

	Equity Total Returns			
	Five-Days	One Month	Six Months	One Year
<b>MSCI World Free</b>	2.86%	2.00%	-1.85%	1.34%
North America	2.88%	1.87%	-1.75%	4.56%
Latin America	4.46%	-0.49%	19.10%	-3.34%
Emerging Market Free	2.67%	2.16%	4.58%	-10.35%
EAFE	2.81%	2.26%	-2.05%	-4.34%
Pacific	1.32%	0.10%	-3.24%	-6.10%
Eurozone	3.69%	3.93%	-2.75%	-7.01%

Both CTAs and hedge funds scored gains on the week, a common pattern during equity market rallies.

	CTA/Hedge Fund Returns			
	Five-Days	One Month	Six Months	One Year
SocGen CTA	0.89%	2.30%	-4.32%	-4.79%
SocGen Trend	0.43%	1.29%	-1.71%	-3.04%
SocGen Short-Term	0.20%	0.29%	-1.72%	-2.71%
HFR Global Hedge Fund	0.33%	0.54%	-2.83%	-4.20%
HFR Macro/CTA	0.41%	1.72%	-1.83%	-1.72%
HFR Macro:	0.29%	2.19%	-2.66%	-1.99%
Systematic Diversified CTA				