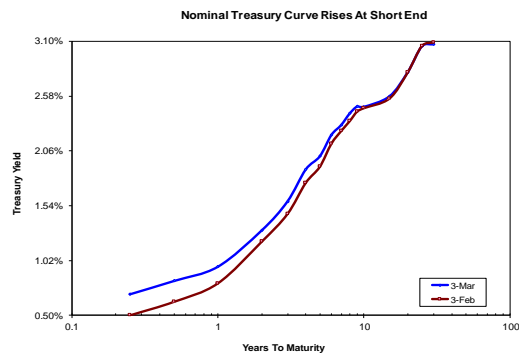


Just as Donald Trump is breaking the mold for U.S. Presidents, Janet Yellen is breaking the mold for Federal Reserve chairmen. She has managed to remove investor fixation on the next 25 basis point rate hike by making the whole affair interminable. Let's skip to the basics: Fiscal policy will not be as stimulative as some think and monetary policy will not be as tight as some think. Both will be historically stimulative in the face of a growing economy. That is bullish for risky assets. Why make it more complicated? The causal chain now is:

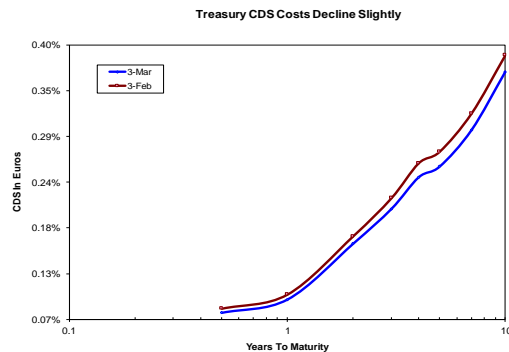
1. The market is pricing in higher short-term rates in 2017, conviction levels finally are rising;
2. Inflationary expectations have stopped declining;
3. The U.S. yield curve continues in its secular flattening trend;
4. Short-term borrowers have stopped terming out short-term debt into the bond market;
5. Swap spreads are pricing in higher future rates; and
6. CDS costs remain consistent with a bull market in risky assets.

### Key Market Indications

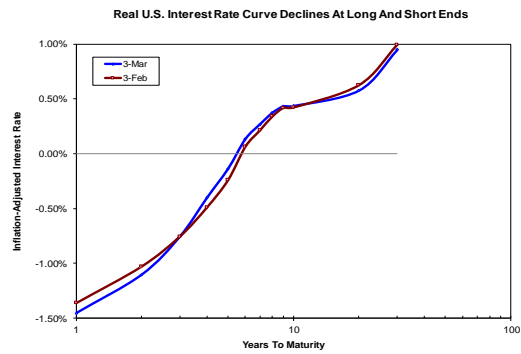
While the yield curve continues to flatten, this is now a function of higher short-term rates. Long-term rates rose, but these are capped by the dominance of large holders such as the Federal Reserve and the Banks of Japan and China.



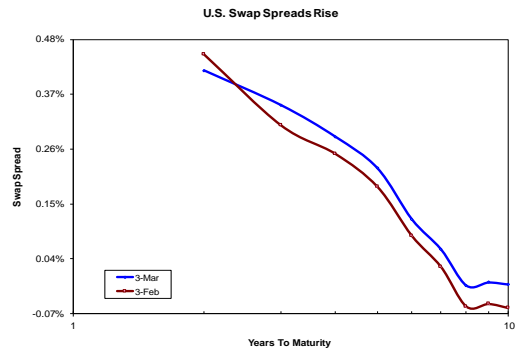
CDS costs on UST have decreased very slightly over the past month. This market is going to remain very quiet until actual budget proposals go before Congress.



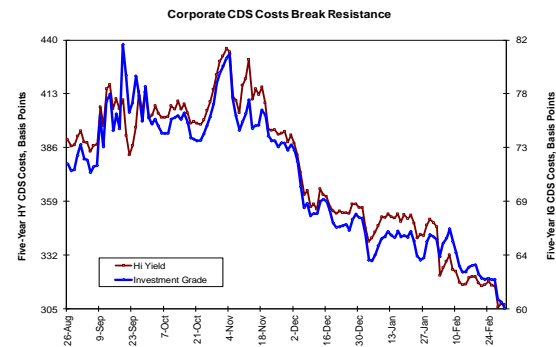
The pseudo-real yield curve has continued to decline at the short end of the yield curve over the past month. This kept a bid under precious metals. More important for risky financial assets, implied real long-term rates are reappearing.



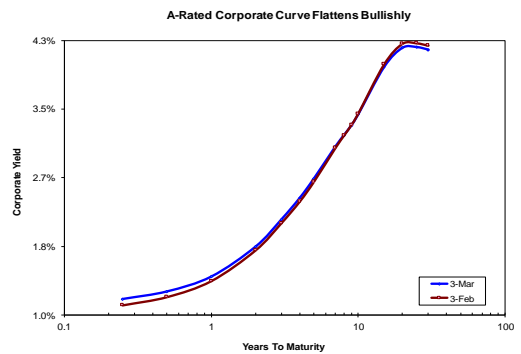
Swap spreads, which rise when floating-rate borrowers want to fix their payments, continue to rise across tenors as the swap market is pricing in higher sovereign rates. The swap market was slow to price in higher rates in November and appears to be behind the curve once again. Heavily insured events have a way of not materializing.



CDS costs broke through resistance. The combination of rising equities, an improving economy and moderate short-term rate increases is keeping this a bull market.



The A-rated corporate yield curve has shifted slightly lower over the past month as modest decreases in credit spreads have been joined by modest decreases in UST yields.



## Market Structure

None of the physical markets are in structural uptrends; Softs, Natural Gas, Petroleum and Livestock all are within downtrends. Within the financials, the dollar index and the S&P 500 remain in uptrends.

	N-Day Speed	Market Structure	Trend Oscillator	HLC Volatility	Daily Trend Rate Mar. 6 - 10
BBERG	18	Transitional	-0.104	7.5%	
BBERG Grain	18	Transitional	0.004	15.0%	
BBERG Ind. Metl	9	Sideways	-0.032	13.7%	
BBERG Pre. Metl	12	Transitional	-0.169	9.4%	
BBERG Softs	21	Trending	-0.139	13.8%	-0.12%
BBERG Nat. Gas	29	Trending	-0.141	28.2%	-0.47%
BBERG Petroleum	29	Trending	-0.098	16.0%	-0.10%
BBERG Livestock	26	Trending	-0.021	9.8%	-0.07%
Dollar Index	29	Trending	0.125	6.7%	0.09%
S&P 500 Index	29	Trending	0.399	6.1%	0.08%
EAFE Index	6	Sideways	0.014	9.4%	
EM Index	6	Sideways	-0.084	8.5%	
Ten-year UST (price)	29	Trending	-0.070	5.0%	

## Performance Measures

You cannot have a bull market in physical commodities without a bull market in petroleum markets, and you cannot have a bull market in petroleum unless OPEC is willing to cut production and support non-OPEC investment. Precious metals are under pressure once again from rising short-term implied real rates outside of the U.S. The remainder of the complex continues to be in what best can be described as a long-term base.

	Five-Days	One Month	Six Months	One Year
<b>Bloomberg Index</b>	-0.33%	-0.69%	4.79%	11.65%
<b>Grains Sub-Index</b>	1.86%	1.97%	8.01%	0.13%
Corn	2.71%	2.63%	11.03%	-2.86%
Soybeans	1.30%	-0.84%	5.28%	16.15%
Wheat	1.24%	4.40%	6.27%	-15.46%
<b>Energy Sub-Index</b>	-0.82%	-2.96%	4.13%	18.70%
Petroleum Sub-Index	-1.84%	-1.30%	9.03%	19.71%
WTI	-0.98%	-0.36%	9.98%	18.86%
Brent	-0.72%	-0.32%	9.51%	24.56%
ULSD	-3.03%	-2.87%	7.40%	22.18%
Gasoline	-4.42%	-3.20%	9.20%	10.51%
Natural Gas	2.48%	-7.77%	-8.61%	18.12%
<b>Precious Metals Sub-Index</b>	-2.82%	-0.32%	-10.62%	-0.41%
Gold	-2.52%	-0.42%	-9.69%	-4.44%
Silver	-3.61%	-0.08%	-12.61%	11.04%
<b>Industrial Metals Sub-Index</b>	-0.03%	1.99%	21.01%	21.62%
Copper	0.03%	1.21%	28.15%	16.53%
Aluminum	0.33%	3.13%	18.45%	16.72%
Nickel	1.18%	5.06%	7.94%	15.82%
Zinc	-1.96%	-0.59%	18.71%	47.39%
<b>Softs Sub-Index</b>	-0.95%	-4.52%	-3.46%	23.26%
Coffee	-2.01%	-2.21%	-10.11%	8.16%
Sugar	-1.45%	-7.70%	-6.02%	25.80%
Cotton	1.86%	1.51%	10.11%	34.29%
<b>Livestock Sub-Index</b>	-0.09%	-2.08%	9.98%	-9.38%
Cattle	0.90%	0.34%	14.67%	-5.83%
Hogs	-1.86%	-6.25%	2.87%	-15.15%

The increase in volatility noted last week continued as majors such as the CAD and NZD declined more than 2%, the MXN rose more than 2% and the COP fell more than 3%. This fracturing indicates the rest of the world is going to deal with higher short-term rates in the U.S. along different national dimensions.

	Five-Days	One Month	Six Months	One Year
<b>Currency Returns</b>				
Euro	0.56%	-1.49%	-4.71%	-3.06%
Chinese yuan	-0.51%	-0.53%	-3.29%	-5.35%
Japanese yen	-1.68%	-1.25%	-9.30%	-0.31%
British pound	-1.37%	-1.55%	-7.61%	-13.31%
Swiss franc	-0.04%	-1.48%	-2.78%	-1.56%
Canadian dollar	-2.16%	-2.67%	-3.38%	0.18%
Australian dollar	-1.04%	-1.09%	0.18%	3.32%
Swedish krona	0.62%	-2.40%	-4.58%	-5.05%
Norwegian krone	-0.55%	-2.56%	-1.41%	2.02%
New Zealand dollar	-2.48%	-3.88%	-3.75%	4.57%
Indian rupee	0.03%	0.77%	0.03%	0.80%
Brazilian real	-0.16%	0.24%	5.39%	21.94%
Mexican peso	2.06%	4.37%	-4.84%	-8.13%
Chilean peso	-1.77%	-2.89%	2.37%	4.44%
Colombian peso	-3.07%	-4.35%	-1.00%	7.12%
Bloomberg-JP Morgan	-0.50%	-0.53%	-2.41%	-1.63%
Asian dollar index (spot)				

Just when it seemed like emerging markets were going to rise en masse, they turned lower even though both the EAFE and North American indices rose solidly. This is a global bull market still, and the EM decline is but a temporary development.

	Five-Days	One Month	Six Months	One Year
<b>Equity Total Returns</b>				
MSCI WorldFree	0.51%	3.08%	7.02%	17.99%
North America	0.53%	3.51%	10.03%	22.36%
Latin America	-0.37%	1.94%	7.80%	36.49%
Emerging Market Free	-1.28%	1.43%	4.30%	22.60%
EAFE	0.47%	1.19%	3.82%	12.68%
Pacific	-1.23%	0.95%	3.74%	15.54%
Eurozone	2.69%	2.95%	4.30%	12.17%

Both CTAs and hedge funds posted small losses this week, something all too common in a world where low-cost index investments have outperformed both. This will not end the parade of news stories about funds cutting fees and losing managers and assets.

	Five-Days	One Month	Six Months	One Year
<b>CTA/Hedge Fund Returns</b>				
Newedge CTA	-0.39%	2.84%	-4.43%	-8.13%
Newedge Trend	-0.07%	2.49%	-3.48%	-6.62%
Newedge Short-Term	0.00%	-0.72%	-7.45%	-10.97%
HFR Global Hedge Fund	0.29%	1.19%	3.39%	7.19%
HFR Macro/CTA	-0.08%	0.90%	-1.57%	-3.92%
HFR Macro:	-0.10%	2.66%	-2.26%	-4.90%
Systematic Diversified CTA				