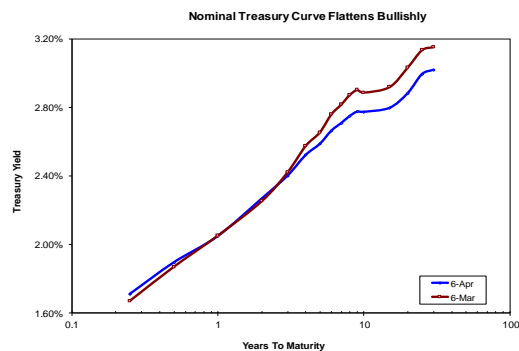


Political event risk, especially when counterproductive economic policies are being proposed, might be ignored if valuations were low and the monetary environment did not remain on a contractionary path. Neither is the case, which is why some blessed silence might be in order. No one wants to assume greater risk and then be shot out of the sky because of some unnecessary tiff. An old adage holds, correctly, bull markets do not die, they are killed, but why are people trying so hard to do so? The causal chain now is:

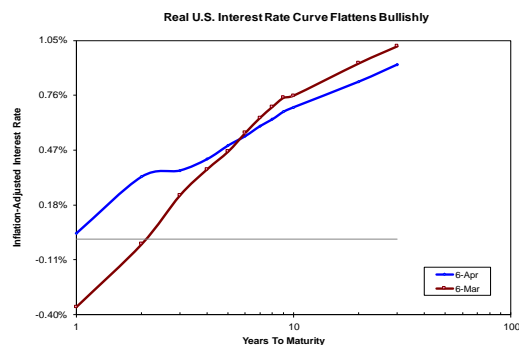
1. The market is pricing in June and September 2018 rate hikes;
2. Inflationary expectations are declining slowly;
3. The yield curve has returned to its bullish flattening;
4. Short-term borrowers are accepting rollover risk rather than term-out borrowing in the bond market;
5. Swap spreads continue to invert bullishly; and
6. CDS costs continue to reflect equity market fluctuations more than credit market conditions.

Key Market Indications

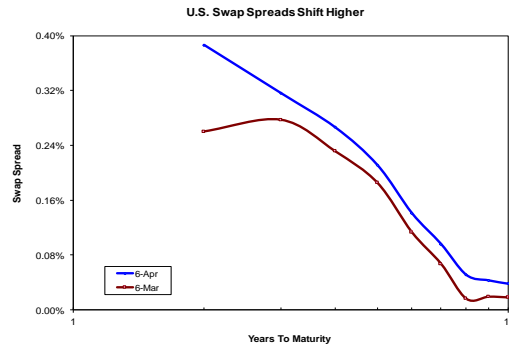
While UST have been supported by risk-aversion, it is one of the more hesitant flights to safety on record; contemplate as you will. We still seem more likely to retreat to 2.65% on the ten-year than to punch over 3.00%, and TIPS breakevens are in a slow decline. The secular flattening trend remains intact on the yield curve.



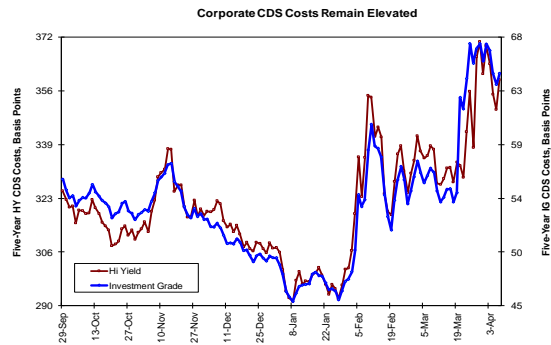
The pseudo-real yield curve shifted higher at the short end of the yield curve but declined stable at the long end. This bullish flattening will support risky assets at the very time risk-aversion is on the rise.



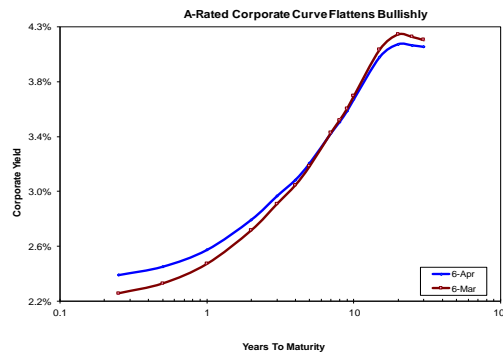
Swap spreads, which rise when floating-rate borrowers want to fix their payments, rose across all tenors. The market continues to rise fastest at shorter tenors as the case for a bear market at longer tenors weakens.



CDS costs continue to reflect movements in equities as correlation trades between stock options and CDS dominate individual issues' credit concerns. However, even as equities retreated this past week, the CDS indices managed to stabilize.



The A-rated corporate yield curve continues to flatten. Rising LIBOR has not posed a threat to this market yet but must be considered a negative given how it affects carrying costs.



Market Structure

Precious Metals joined Petroleum and Natural Gas in structural uptrends within the physical markets, while everything else but Grains and Industrial Metals remain negative. Within financial markets, the dollar index and ten-year UST remain in structural uptrends while both the S&P 500 and EM index remain in downtrends.

	N-Day Speed	Market Structure	Trend Oscillator	HLC Volatility	Daily Trend Rate Apr. 9 - 13
BBERG	28	Trending	-0.058	7.9%	-0.13%
BBERG Grain	20	Trending	0.085	16.9%	
BBERG Ind. Metl	7	Sideways	0.032	13.5%	
BBERG Pre. Metl	25	Trending	0.011	10.1%	0.05%
BBERG Softs	29	Trending	-0.235	12.3%	-0.06%
BBERG Nat. Gas	29	Trending	0.001	18.8%	0.55%
BBERG Petroleum	29	Trending	0.014	18.7%	0.51%
BBERG Livestock	29	Trending	-0.283	15.3%	-0.07%
Dollar Index	26	Trending	0.034	5.7%	0.04%
S&P 500 Index	29	Trending	-0.195	17.5%	-0.11%
EAFE Index	6	Sideways	0.082	8.5%	
EM Index	29	Trending	-0.233	11.2%	-0.08%
Ten-year UST (price)	23	Trending	0.101	4.2%	0.06%

Performance Measures

The economically sensitive Industrial Metals gained despite the U.S.-China tensions, and Precious Metals rose despite higher short-term implied real rates. The critical Energy complex declined sharply, but was unable to drag the main Bloomberg index lower given these other pockets of strength.

	Commodity Total Returns			
	Five-Days	One Month	Six Months	One Year
Bloomberg Index	-0.57%	-1.02%	4.15%	2.52%
Grains Sub-Index	1.29%	-1.16%	4.72%	-1.64%
Corn	0.23%	-0.38%	5.65%	-4.44%
Soybeans	-1.01%	-0.39%	4.15%	5.47%
Wheat	4.75%	-3.34%	2.03%	-6.54%
Energy Sub-Index	-2.94%	0.91%	11.65%	3.67%
Petroleum Sub-Index	-3.55%	1.96%	21.09%	18.23%
WTI	-4.40%	0.36%	25.75%	16.34%
Brent	-3.11%	2.71%	24.02%	22.43%
ULSD	-3.09%	3.73%	14.74%	19.69%
Gasoline	-3.22%	2.04%	13.25%	11.43%
Natural Gas	-1.14%	-1.97%	-13.80%	-30.92%
Precious Metals Sub-Index	0.68%	0.16%	1.70%	1.01%
Gold	0.70%	0.60%	3.52%	5.42%
Silver	0.62%	-1.35%	-3.93%	-10.94%
Industrial Metals Sub-Index	0.65%	-2.82%	1.33%	13.94%
Copper	1.13%	-2.34%	0.32%	13.47%
Aluminum	1.94%	-3.70%	-6.74%	2.19%
Nickel	-0.24%	-4.28%	20.24%	29.04%
Zinc	-1.32%	-1.16%	1.15%	22.07%
Softs Sub-Index	0.09%	-4.55%	-5.73%	-17.80%
Coffee	-0.55%	-2.12%	-13.51%	-23.36%
Sugar	-0.04%	-3.76%	-10.86%	-28.93%
Cotton	1.37%	-2.21%	18.57%	14.21%
Livestock Sub-Index	-1.72%	-8.67%	-10.05%	-6.05%
Cattle	-0.20%	-10.42%	-11.09%	-8.01%
Hogs	-4.24%	-5.43%	-9.34%	-4.19%

The commodity-linked CAD and AUD gained, which is odd considering the pullback in physical commodity prices. The safe-haven JPY and CHF retreated, which is odd given the rising levels of risk aversion. Outside of that, the USD actually remained bid on the week, especially against the Latin currencies.

	Currency Returns			
	Five-Days	One Month	Six Months	One Year
Euro	-0.35%	-0.99%	4.70%	15.38%
Chinese yuan	-0.08%	0.73%	5.54%	9.26%
Japanese yen	-0.61%	-0.75%	5.35%	3.63%
British pound	0.55%	1.47%	7.85%	13.01%
Swiss franc	-0.53%	-1.92%	2.15%	4.79%
Canadian dollar	0.92%	0.74%	-1.98%	4.94%
Australian dollar	0.07%	-1.85%	-1.07%	1.84%
Swedish krona	-0.59%	-2.22%	-3.25%	7.54%
Norwegian krone	0.14%	-0.67%	2.18%	10.14%
New Zealand dollar	0.36%	-0.37%	2.40%	4.20%
Indian rupee	0.31%	-0.03%	0.61%	-0.68%
Brazilian real	-1.87%	-4.70%	-6.35%	-6.71%
Mexican peso	-0.59%	2.46%	1.32%	2.51%
Chilean peso	-0.20%	-0.93%	4.55%	8.52%
Colombian peso	0.04%	2.19%	5.26%	2.26%
Bloomberg-JP Morgan Asian dollar index (spot)	-0.39%	-0.13%	4.05%	5.89%

Equity markets feel like they are in a savage bear market, but we have had so many strong rallies the overall losses remain tolerable. This will not last if the abuse continues.

	Equity Total Returns			
	Five-Days	One Month	Six Months	One Year
MSCI World Free	-0.62%	-4.22%	3.06%	13.93%
North America	-1.28%	-4.21%	2.80%	12.26%
Latin America	-0.11%	-2.25%	4.21%	18.28%
Emerging Market Free	-0.73%	-2.48%	6.17%	23.77%
EAFE	0.50%	-0.25%	3.37%	16.64%
Pacific	-0.36%	-0.80%	6.28%	16.49%
Eurozone	1.21%	-0.62%	1.65%	19.32%

The performance measures for both CTAs and hedge funds were mixed, which would be a moral victory if it did not come on the heel of a year-long underperformance. Traders who kept wishing for volatility did not know how to handle it when it arrived. This should surprise no one.

	CTA/Hedge Fund Returns			
	Five-Days	One Month	Six Months	One Year
Newedge CTA	-0.62%	-0.49%	1.45%	-1.10%
Newedge Trend	0.23%	0.52%	1.47%	-0.77%
Newedge Short-Term	-0.75%	-1.27%	0.23%	-1.35%
HFR Global Hedge Fund	0.18%	-0.81%	0.22%	3.45%
HFR Macro/CTA	-0.25%	-0.91%	-0.21%	0.90%
HFR Macro:	-1.07%	-1.09%	1.96%	1.83%
Systematic Diversified CTA				