



May 3, 2018

Monthly Market Commentary

Dan Miller -- Advice and Portfolio Specialist

April 2018 Recap

Stocks rebounded in April, with the major U.S. averages posting monthly gains for the first time since January. Generally positive corporate earnings provided a boost to offset headwinds from geopolitical and trade uncertainty as well as rising treasury yields. The yield on the benchmark U.S. 10-year note climbed to its highest point since 2014 amid strong U.S. economic data and rising inflation expectations. The Dow Jones Industrial Average and S&P 500 both climbed 0.3% in April, while the Nasdaq Composite added less than 0.1%.

Trading was volatile in the early stages of April as investors digested what seemed like daily headlines surrounding the possibility of a trade war between the United States and China. Both countries announced tit-for-tat potential tariffs of more than \$100 billion dollars on key imports such as aerospace, agricultural and technology products. As the headlines rolled in, the S&P 500 experienced seven 1% daily moves in either direction over the course of the month, matching the total number of 1% moves in all of 2017. The trade uncertainty seemed to ease, however, after a seemingly conciliatory speech on April 10th from Chinese President Xi Jinping, in which he suggested that the two nations would find common ground and avoid an all-out trade war. Following the speech, investors' attention seemed to turn first-quarter earnings reports.

Roughly half of the S&P 500 reported first-quarter earnings through the end of April, with 80% of companies topping analyst profit projections, according to data from FactSet. The blended year-over-year growth rate for the index stood at 23%, the highest advance since 2011 and well above the expectation of a 17% growth rate coming into the quarter. Further, profit margins for the S&P 500 were up 11% as corporations reaped the benefits of the newly enacted tax reforms. The Financial sector kicked earnings season off on a high note as JPMorgan (JPM, \$107.92) and Goldman Sachs (GS, \$234.05) easily topped analyst profit estimates while most Wall Street banks saw a spike in trading revenue amid heightened volatility. Boeing (BA, \$324.19) also delivered a positive quarter, as the jet maker's results easily surpassed profit expectations. Optimism after the release, however, was muted by trade uncertainty and rising input costs. The fear of rising expenses also sent shares of 3M (MMM, \$194.50) and Caterpillar (CAT, \$143.86) lower despite both posting strong first-quarter profit tallies. Rising expenses also weighed on the Consumer Staples sector, which fell 4.5% in April. Philip Morris (PM, \$80.10) was a notable decliner, with shares tumbling 17% over the course of the month following its soft earnings release.

Stronger results were found in the Technology and Consumer Discretionary sectors. Netflix (NFLX, \$313.36) once again bested Wall Street new subscriber estimates and the streaming giant revealed a 43% increase in year over year revenue. Amazon (AMZN, \$1569.25) was another notable outperformer with shares soaring to an all-time high as Amazon Prime membership surpassed 100 million for the first time. Social media giant Facebook (FB, \$176.08) had a rollercoaster month that

started with CEO Mark Zuckerberg testifying in front of Congress to answer for the data protection scandal that sunk shares in March. Facebook rebounded 7% in April after analysts reacted positively to the testimony and the company's first-quarter earnings release. Google parent Alphabet (GOOGL, \$1026.02) reported a mixed quarter with profits above estimates but soft margins. The top performing sector in the S&P 500 was Energy, which jumped over 9% in conjunction with higher oil prices. West Texas Intermediate crude rallied 5.6% in April to its highest level since 2014 amid heightened geopolitical tensions in the Middle East and rising global demand.

On the data front, domestic economic data was generally positive. The preliminary reading for first-quarter U.S. GDP revealed the U.S. economy grew at a 2.3% annualized rate, above the projected 2.0% consensus estimate. The Core PCE Deflator, which is the Fed's preferred gauge of inflation, rose 1.9% year over year, well above the prior month's reading of a 1.6% increase and within striking distance of the Fed's 2% target. Updates on employment were mixed, with nonfarm payrolls increasing by only 103,000 in March, the smallest gain in six months. However, initial Jobless claims remained subdued, falling to the lowest levels since December 1969 in the final week of April. Meanwhile, data in Europe and Japan was generally soft over the course of April. The disconnect between U.S. and international economic readings helped the U.S. dollar advance 2% in April for its best monthly performance since November 2016.

Also supporting the dollar were rising U.S. Treasury yields, which hit multi-year highs. In fact, the yield on the benchmark 10-year note briefly traded above 3.0% for the first time since 2014 before finishing the month at 2.95%, more than 20 basis points above where it finished March. At the short end of the curve, the yield on the two-year note surged to 2.50%, its highest level in a decade, as rising inflation readings inspired sentiment that the Fed may raise interest rates more than the projected three times in 2018. The spiking inflation readings helped send the spread between two- and 10-year yields to the lowest level since 2007.

Disclaimers

Pricing as of market close on May 2, 2018 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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Index Definitions:

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

The S&P 500 Index is a capitalization-weighted index of 500 stocks, representing all major industries.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The US Dollar Index measures the performance of the US Dollar against a basket of foreign currencies.

U.S. Markets		Price Return (%)		Total Return (%)		
Index	Close	April	April	March	1st Quarter	
S&P 500	2648.05	0.27	0.38	-2.54	-0.76	
Dow Jones Industrial Average	24163.15	0.25	0.34	-3.59	-1.96	
Nasdaq Composite	7066.27	0.04	0.08	-2.79	2.59	
S&P 400 Mid Cap	1872.45	-0.34	-0.26	0.93	-0.77	
S&P 600 Small Cap	947.51	0.96	1.03	2.04	0.55	
U.S. Sector Performance		Price Return (%)		Total Return (%)		
Index	Close	April	April	March	1st Quarter	
Consumer Discretionary	825.31	2.27	2.36	-2.33	3.08	
Consumer Staples	517.25	-4.52	-4.32	-0.88	-7.12	
Energy	544.56	9.29	9.36	1.66	-5.88	
Financials	455.35	-0.48	-0.37	-4.31	-0.95	
Health Care	951.27	1.12	1.22	-3.07	-1.22	
Industrials	607.17	-2.85	-2.79	-2.68	-1.56	
Information Technology	1141.98	0.03	0.09	-3.90	3.53	
Materials	356.71	0.10	0.15	-4.24	-5.52	
Telecom	148.24	-2.25	-0.98	-1.00	-7.48	
Utilities	261.39	2.05	2.10	3.76	-3.30	
International Markets		Price Return (%)		Total Return (%)		
Index	Close	April	April	March	1st Quarter	
U.K. FTSE 100	7509.30	6.42	6.79	-2.03	-7.20	
Germany DAX	12612.11	4.26	4.26	-2.73	-6.35	
France CAC 40	5520.50	6.84	7.23	-2.70	-2.51	
Spain IBEX 35	9980.60	3.96	4.83	-2.35	-3.92	
Italy FTSE MIB	23979.37	7.00	7.38	-0.86	2.84	
Greece ATHEX	858.22	9.96	9.96	-6.44	-2.55	
MSCI Emerging Market	1164.43	-0.41	-0.43	-1.83	1.41	
Shanghai Composite	3082.23	-2.48	-2.71	-2.78	-4.17	
Japan Nikkei 225	22467.87	6.19	4.72	-2.04	-4.97	
Hong Kong Hang Seng	30808.45	2.38	2.53	-2.33	0.92	
Brazil Bovespa	86115.50	0.88	0.88	0.01	11.73	
Russia Micex	2307.02	1.42	1.59	-1.12	7.70	
India Sensex	35160.36	6.65	6.65	-3.46	-3.01	
Treasuries		Historical Yields				
Maturity	Close	April Ask Yield	March	February	January	
2-Year	99.78	2.51	2.28	2.24	2.13	
5-Year	99.78	2.82	2.59	2.64	2.58	
10-Year	98.27	2.97	2.78	2.88	2.85	
30-Year	97.60	3.14	3.01	3.15	3.12	

Municipal Bonds		Price Return (%)			
Maturity	Close	April	March	2018	2017
S&P Municipal Bond Index	238.04	-0.35	0.42	-1.26	4.95
S&P Muni Bond Long Intermediate	246.17	-0.35	0.39	-1.69	5.42
S&P Muni Bond Intermediate	235.83	-0.36	0.29	-1.44	4.74
S&P Muni Bond Short	167.68	-0.21	-0.03	0.03	1.16
S&P Muni Bond Investment Grade	235.57	-0.40	0.37	-1.45	4.92
S&P Muni Bond High Yield	277.66	0.52	1.28	1.82	5.27
S&P Muni Bond General Obligation	229.00	-0.41	0.38	-1.59	4.56
Commodities					
Front Month Futures		Price Return (%)			
Close	April	March	2018	2017	
CRB Index	201.98	3.39	0.73	4.19	0.70
Oil/bbl	68.57	5.59	5.35	13.49	12.47
Natural Gas	2.76	1.10	2.47	-6.43	-20.70
Gold	1319.20	-0.27	0.37	0.76	13.68
Silver	16.31	0.27	-0.34	-4.86	7.23
Copper	305.25	0.89	-2.64	-7.51	31.73
Nickel	13601.00	2.59	-3.60	6.98	27.46
Foreign Exchange					
Currency		Price Return (%)			
Close	April	March	2018	2017	
Dollar Index	91.84	1.87	-0.51	-0.31	-9.87
Euro/USD	1.21	-1.80	0.87	0.61	14.15
USD/Yen	109.34	2.73	-0.23	-2.97	-3.65
GBPound/USD	1.38	-1.82	1.88	1.85	9.51
USD/CAD	1.28	-0.32	0.41	2.16	-6.47
USD/Krona	8.75	4.64	0.85	6.92	-10.13
USD/Swiss Franc	0.99	3.61	1.25	1.70	-4.39

Source: Bloomberg

*All prices as of the close April 30, 2018

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