

THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished April at 24,163, up 0.25% for the month and -2.25% year-to-date. The Standard & Poor's 500 closed April 30 at 2,648, up 0.27% for the month and -0.97% so far for the year. The NASDAQ Composite was flat, gaining 0.04% in April, up 2.36% so far in 2018. Small company stocks as measured by the Russell 2000 ended April at 1,542, gaining 0.81% for the month and 0.42% so far for the year. Energy (+10.4%) was the strongest performing sector in April.

"The bull market recently had its own near-death experience. But with no clear cause- rising inflation? tariffs? tech regulation?- investors haven't been able to decide whether to run away or return to business as usual." Barron's, The Trader by Ben Levisohn, April 28, 2018

Corporate Profits

Expectations were high for Q1 earnings heading into April, and with over half of the S&P 500 reporting, earnings have come in better than expected. Nearly 80% of companies have reported earnings above expectation, and the blended rate of growth in profits stands at 23.2%. Many observers have noted that the blended sales growth rate, currently at 8.4%, is an important indicator that demand and sales are increasing, and that profits are not just being generated by cost cuts and tax savings. This strong corporate performance has provided support to the equity markets as trade fears, inflation, and geopolitical uncertainty continue to contribute to ongoing volatility.

GDP Growth

A first estimate for GDP growth in Q1 came in at 2.3%, above expectations of 1.8%. Consumer spending and home building were flat or only slightly up, attributed by some to a spike in spending last quarter and to winter storms. Vehicle sales are also trending down year-to-date. Business investment, however, is showing signs of expansion - with fixed investment (buildings, equipment, etc) up 6.1%, and inventory investment also increasing. The Federal Reserve is expecting 2.7% full-year GDP growth in 2018, and the Congressional Budget Office forecasts 3.3% growth this year. Continued economic growth may help support consumer demand, corporate revenues, and market sentiment in the near term.

"That doesn't mean the bull market is over. Yes, the market has reached 'late cycle,' says Jason Pride, chief investment officer of Glenmede's private client group, and that makes every risk seem bigger than it might actually be. For now, however, earnings are growing at a 20%+ clip, fears of a trade war have been put on the back burner, and even inflation doesn't seem like it will be a problem any time soon. "We're dealing with the uncomfortable position of being aware that something will end," Pride says. "But our base case is for continued economic expansion and profit-cycle growth."" (Barron's, The Trader by Ben Levisohn, April 28, 2018)

Employment Reports

The employment cost index, the cost of workers compensation in the form of pay and benefits, has climbed 2.7% year-over-year, the largest gain since 2008. Weekly jobless claims, a proxy for layoffs, hit its lowest level in 48 years in late April. Employers increasing difficulty in finding skilled labor was mentioned in ADP's April employment report, suggesting wage inflation may persist as employers' increasingly compete in a tight labor market.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 03/29/2018	CLOSE AS OF 04/30/2018	CHANGE PREVIOUS MONTH END	2018 YTD % CHANGE
Dow Jones Industrial Average	24,103.11	24,163.15	+60.04	-2.25%
S&P 500	2,640.87	2,648.05	+7.18	-0.96%
NASDAQ Composite	7,063.45	7,066.27	+2.82	+2.36%
RUSSELL 2000	1,529.43	1,541.88	+12.45	+0.42%
Fed Funds Rate	1.5% - 1.75%	1.5% - 1.75%	UNCHANGED	
2-Year Treasury	2.27%	2.49%	+0.22%	
10-Year Treasury	2.87%	2.95%	+0.08%	
Crude Oil \$ per Barrel	\$64.94	\$68.57	+\$3.63	+13.49%
Gold \$ per Troy oz.	\$1,327.30	\$1,319.20	-\$8.10	+0.76%
UK Pound in U.S. \$	\$1.4028US=1£	\$1.3774US = 1£	\$ STRONGER	+1.82%
Euro in U.S. \$	\$1.2298US= 1€	\$1.2082US= 1€	\$ STRONGER	+0.62%
Canada \$ per U.S. \$	\$1.28925C= \$1.00 US	\$1.28195C \$1.00 US	\$ WEAKER	+2.31%
Japan Yen per U.S. \$	106.35¥= \$1.00 US	109.425¥=\$1.00 US	\$ STRONGER	-2.86%



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