Weekly Market Guide

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Commentary: Markets could continue to be volatile this week, digesting a host of information in a holiday-shortened week (U.S. markets will be closed on Friday). Headline risk remains, with escalating tensions in the Ukraine. First-guarter earnings reporting season picks up the pace this week with more than 50 S&P 500® companies reporting, with about a third comprising Financials. The Federal Reserve (Fed) releases its Beige Book on Wednesday, and the calendar is fairly full with speeches from Fed leaders throughout the week. The highlight will be Fed Chair Janet Yellen speaking on Wednesday in New York City, where we will be in attendance listening for policy clues. On the economic data front, U.S. reports include retail sales, inflation, housing starts, and permits. Canada's central bank meets this week with no change expected. With the depth of the Chinese slowdown a worry, data including GDP will be closely watched. European Central Bank (ECB) President Mario Draghi gave further signals over the weekend that additional unconventional policy actions are in the works. While ECB action is not likely to happen for some time, utterances from ECB officials will be parsed by the market for evidence regarding timing and type of any action. With the S&P 500 almost 4% off its closing high, it is interesting to note that it would be normal (however unpleasant) to see a 5% pullback—on average, the S&P 500 declines 5% from peak every 50 trading days, and Friday marked day 49.

Week in Review: On Wednesday, the Fed released the minutes from its March 18-19 Federal Open Market Committee meeting. It is clear from the minutes that the Fed continues to be in no rush to raise interest rates, which is consistent with PNC's forecast of the first hike in the latter half of 2015. The first-guarter earnings season for U.S. firms began unofficially after the market close on Tuesday, with Alcoa reporting, the first of the S&P 500 constituents. JPMorgan's earnings report, along with weakness in the Technology sector, sent equities lower. The NASDAQ fell more than 3% on Thursday, the most since November 2011, while the S&P 500 fell 2.65% for the week, its worst showing since January. Ten-year U.S. Treasury yields fell to 2.63%, nearing the year lows of a little less than 2.6%.

							Econ	omic Data	Consensus	Previous
	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)	4/14	EC Industrial Production (m/m)	0.2%	-0.1%
S&P 500	-2.65	-1.77	14.28	15.94	15.29		4/14	US Retail Sales (m/m)	0.9%	0.3%
S&P 500 Growth	-2.98	-2.77	14.94	18.31	16.59	1.77	4/14	US Business Inventories	0.5%	0.4%
S&P 500 Value	-2.29	-0.68	13.58	14.80	14.46		4/15	UK CPI (m/m)	0.2%	0.5%
S&P Mid-Cap 400	-3.56	-1.79	14.73	19.50	17.50	1.37	4/15	UK PPI (m/m)	-0.2%	-0.4%
S&P Small-Cap 600	-3.11	-3.42	22.06	20.39	18.79	1.18	4/15	UK RPI (m/m)	0.3%	0.6%
FTSE NAREIT Equity	-1.20	6.75	-5.41	-	-	3.69	4/15	GE ZEW Survey Expectations	45.0	46.6
Global Equities					//15	EC ZEW Survey Expectations	61.5	61.5		
N/I -I	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)	4/15	US CPI (m/m)	0.1%	0.1%
World	-1.37	-0.26	10.44	14.76	14.55	2.33	4/15	US Empire Manufacturing	8.0	5.6
MSCI EAFE MSCI EM	-1.85 1.34	-1.01 1.27	11.47 1.21	18.13 11.95	13.98 10.23	3.28 2.75	4/15	US NAHB Housing Market Index	50	47
MSCIEM	1.34		eloped	11.75	10.23	2.75	4/16	UK ILO Unemployment Rate	7.1%	7.2%
Japan	-4.78	-9.27	-3.06	13.46	13.90		4/16	EC CPI (m/m)	1.0%	0.3%
U.K.	-1.60	-1.87	14.13	18.19	14.51		4/16	US Housing Starts	970k	907k
Germany	-2.17	-1.48	23.76	16.34	13.58		4/16	US Building Permits	1013k	1014k
Canada	-0.80	1.45	6.80	15.60	16.27	0.00	11 .	3		
	0.00		erging	10.00			4/17	US Jobless Claims	315k	300k
China	2.63	-1.87	5.64	11.44	9.72	2 95	4/17	GE PPI (m/m)	0.0%	0.0%
South Korea	2.16	2.34	13.70	11.71	10.50	1 12	4/17	US Philadelphia Fed Bus Outlook	9.1	9.0
EMEA	-0.51	-3.22	-7.27	9.82	10.22	0.00	4/17	JN Consumer Confidence	38.3	38.3
Latin America	2.09	2.70	-13.80	14.90	13.73	2.76	4/18	IT Industrial Sales (m/m)	1.2%	1.2%

Alternative Assets							
	Last wk price	Last wk rtn (%)	YTD (%)	52-wk (%)			
DJ/UBS	136.8	1.62	8.47	1.90			
HFRX Macro	1121.1	0.17	-3.86	-3.07			
TIPS Index	278.6	0.95	3.26	-6.71			

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Rates									
	Friday Close	3-mo ago	6-mo	12-mo					
	(%)	(%)	ago (%)	ago (%)					
Fed Funds	0.08	0.07	0.09	0.15					
Prime	3.25	3.25	3.25	3.25					
2-yr Treas	0.37	0.39	0.35	0.24					
10-yr Treas	2.63	2.88	2.70	1.82					
30-yr Mgt	4.24	3.65	4.31	3.51					
IG Yield	3.08	3.25	3.36	2.75					
HY Corp	6.08	6.29	6.69	6.31					
Currencies/Commodities/Volatility									
\$Index \$per€	79.45 1.39	83.60 1.37	80.47 1.36	82.42 1.31					
\$ per £	1.67	1.65	1.59	1.54					
¥ per\$	101.64	104.15	98.31	99.55					
Gold	1319.00	1246.90	1268.20	1564.90					
Crude Oil	103.74	92.72	102.02	93.51					

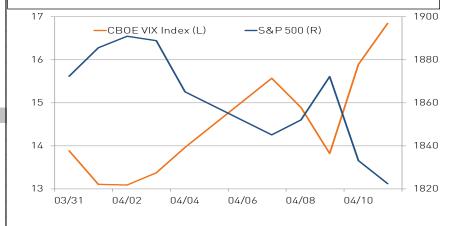
12.14

17.03

VIX

PNC's WEEKLY CHART

The start of the second guarter has been an interesting one, at least from a market perspective. The S&P 500 set a new high on April 2, 2014, yet has fallen since then, correcting over 4%. Meanwhile, volatility has risen, and the dollar has weakened. With valuations where they are, in our opinion around fair value, it is likely to be a tumultuous earnings season, coupled with firstquarter reports from companies which may include negative impacts from the severe winter weather. By historical measures, the market seems overdue for a 5% correction.



12.24

15.72



Sources: FactSet Research Systems, Dow Jones UBS Index, Barclays Capital, Bankrate.com, Chicago Board Options Exchange, Bloomberg, Bank of America/ Merrill Lynch, HFR Asset Management, LLC, MSCI

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