

HEADLINE NEWS
Upcoming Earnings Season to be the Next Catalyst?

- Consensus earnings estimates continue to drop as we close in on the unofficial start to the reporting season on April 11. According to data from FactSet Research, Q1 2016 S&P 500 earnings are expected to drop by 8.7%. If this number holds, it will mark the largest year-over-year decline in earnings since the middle of 2009. Backing out the negative effect of the energy sector, S&P 500 earnings growth still only improves to -3.9%. However, this quarter is likely to follow the pattern that has been established over the past several years: analysts lowering their estimates heading into earnings season only to have companies beat the lowered hurdle. We have seen it already, albeit only with a small sample size, with ORCL, NKE, FDX, ACN, and ADBE having all beaten analysts' Q1 earnings estimates. Given the recent stability in both the U.S. dollar and the price of oil, we anticipate that, in aggregate, companies will be able to beat lowered analyst expectations.

S&P 500 Earnings Due this Week

DATE	TIME	TICKER	COMPANY NAME
3/30	Before Market	CCL-US	Carnival Corp.
3/30	Before Market	PAYX-US	Paychex, Inc.
3/30	After Market	MU-US	Micron Technology, Inc.

Source: API



Source: FactSet Prices

Fed Back in the Spotlight

- Last week, the S&P 500's five-week winning streak came to an end as the index finished the holiday-shortened week down roughly 0.5%. With an absence of both micro and macro news, investors focused on the hawkish tone from a number of Fed speakers throughout the week. This week sets up likewise, with a number of Fed speakers scheduled to talk, highlighted by Chairwoman Yellen on Tuesday afternoon. We believe the predominant theme will be that the Fed remains in a "data dependent" holding pattern and that we are unlikely to get any firm hints regarding when the next hike is coming.

Key Macroeconomic Data Due this Week

Date	Time	Event	Period	Consensus	Prior
3/31	8:30 AM	Initial Claims SA	03/26	270K	265K
3/31		- Domestic Auto Sales SAAR	MAR	5.4M	5.4M R
3/31		- Total Light Vehicle Sales	MAR	17.5M	17.4M R
3/31	8:30 AM	Hourly Earnings SA M/M	MAR	0.2%	-0.1%
3/31	8:30 AM	Hourly Earnings Y/Y	MAR	2.3%	2.2%
3/31	8:30 AM	Average Workweek SA	MAR	34.5	34.4
3/31	8:30 AM	Nonfarm Payrolls SA	MAR	200K	242K
3/31	8:30 AM	Unemployment Rate SA	MAR	4.9%	4.9%
3/31	10:00 AM	Construction Spending SA M/M	FEB	-0.1%	1.5%
3/31	10:00 AM	ISM (Manufacturing) SA	MAR	51	49.5

Source: API

WTI Crude Oil Spot Price (\$/barrel)

Max: 61.37 (10-JUN-15), Min: 26.19 (11-FEB-16), Last: 39.38 (28-MAR-16)



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FIXED INCOME UPDATE
Market Overview

- Municipal supply, at \$6.3 billion for this week, is dominated by a single deal: Trustees of California State University (Aa2/Applied/NR) are bringing a \$1.3 billion deal on Wednesday. Demand has remained strong with primary deals being oversubscribed and continued inflows into muni funds.
- All was relatively quiet in the Investment Grade Credit space last week. The abbreviated holiday week left issuers on the sidelines, as only \$15 billion came to market. This was the second lowest week of issuance behind the week ending 02/12/16 in which only \$1 billion was issued. Spreads continue to tighten and demand for credit continues to be strong.

INDEX RETURNS (AS OF 3/28/16)

	MTD	YTD
S&P 500	5.57	0.20
Dow Jones Ind. Avg.	6.31	1.33
Barclays MM Short 1-5 Yr.	-0.37	0.73
Barclays MM 1-10 Yr.	-0.47	1.07
ML US Gov/Corp 1-10 Yr.	-0.09	1.80

Source: Interactive Data

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