Notes from the Trading Desk

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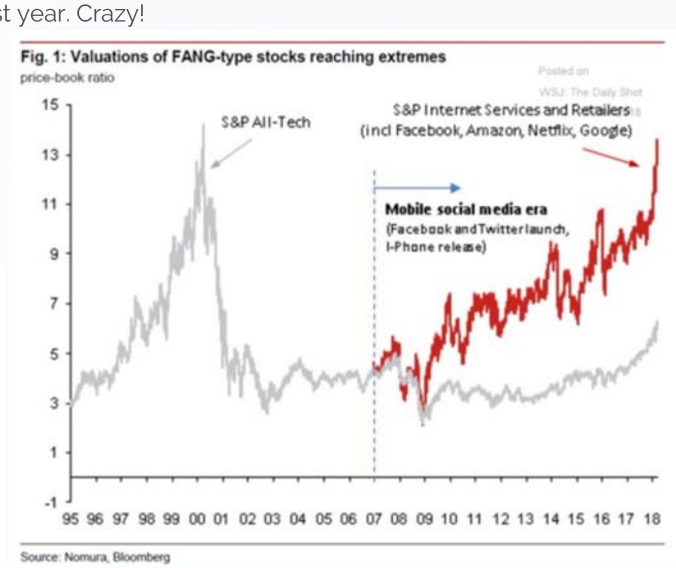
Market Movers & Shakers

US equity indices came under major pressure this past week. According to FactSet, the four major indices posted their biggest weekly declines since early 2016. The tech-laden Nasdaq moved lower by 6.54%. Facebook led the way down as it was off nearly 14% for the week due to the Cambridge Analytica scandal. However, FB was not the only downside mover in the big tech space. Apple was also down more than 7% as reports surfaced that they were going to begin producing some screen prototypes in-house. Foldable iPhones anyone? Trade war fears continued to play out in the market place as well. The Dow was down 5.67% and the S&P was down nearly 6%. Furthermore, the Dow appears to have suffered a bit of a technical breakdown. Unlike the Nasdaq, the Dow has failed to set a record high since the January 26th top. The Dow also failed to get upside of its February 27th high when indices rallied into the middle of this month. What's worse for the industrial average, as of Friday's close, it has now set its lowest low on a closing basis since topping out in January. All in all, momentum appears to have temporarily escaped the Dow. On the bright side, the DJIA stayed north of its 200 day in Friday's session, and still remains above the intraday low set on February 9th. Both of those price levels should provide support for the Dow. It would be a positive signal for sure to see the Dow hold these current levels and see it rally above 25,550 at the very least over the coming days. The Russell meanwhile was down only 4.79% this week — the least of the four major indices. In theory, the Russell — made up of smaller companies with less international exposure — has less to lose in a trade war than some of their international conglomerate counterparts.

President Trump expanded his recent protectionist policies as the administration threatened to slap tariffs of $60b on Chinese imports as well as increased safeguards on American IP. China shot right back targeting $3b in goods ranging from fruit and pork to steel pipes according to *The Wall Street Journal*. The trade war fears have certainly garnered their fair share of headlines this past week. Wall Street seems to be in agreement that an escalating trade war is negative for equities. In Bank of America Merrill Lynch's most recent Global Fund Manager Survey, trade war was cited as the largest "tail risk" for equity investors.

Lost amidst the Facebook scandal and the threatening trade war discussion was the market's first glimpse of Fed Chairman Jerome Powell in action. Prior to Powell's first presser on Wednesday, the Federal Reserve raised rates 25 bps to 1.50-1.75%. The Fed was seemingly more hawkish than they have been of late. Current Fed projections show 8 hikes during the 2018-2020 period — this is up from previous projections of 6 ¾ hikes. However, Powell notably urged the media to not pay attention to these long-dated projections as they are merely estimates — not promises of actions.

Finally a little food for thought. *The Wall Street Journal*'s "Daily Shot" blog posted an interesting graphic this past week highlighting just how far big tech has moved. It shows just how expensive some of these companies have become — at least on one metric. Don't forget, YTD, Netflix is up 56.8% and up over 110% over the past year. Crazy!



Upgrades & Downgrades

D — downgraded to neutral from buy at BofAML. Their price target was cut from $79 to $72 (3/20).

SBNY — initiated neutral at UBS with a price target of $163 (3/21).

Portfolio News

It was a rather busy week here at Tandem — at least on the portfolio front. We sold both Cerner and Wabtec on the composite level. Both of these names violated some of our fundamental requirements, which demands a liquidation. We also took advantage of the selloff during the back half of the week to add to both TJX and HSIC. TJX is in our Large Cap and Equity strategies, while HSIC is a Mid Cap holding only.

On a performance front, we saw a notable decline in the share price of AbbVie. ABBV reported disappointing phase 2 results for Rova-T. The company decided to not submit for Accelerated Approval from the FDA for Rova-T, which was previously discussed. The results seem to leave analysts scratching their heads. Some have suggested that AbbVie should write off the entire Rova-T asset, while others were surprised that Accelerated Approval was not applied for. Regardless, ABBV is now trading at 12.6x forward earnings, below their average forward P/E of 13.4x and well off the 16.8x the stock saw earlier this year.

FactSet and Walgreens are on tap to report this week. FactSet earnings will be important to watch. According to the FT, FactSet's market share increased from 4.2% to 4.5% in 2017. Bloomberg and Reuters both saw declines in their market shares. FactSet also has a tendency to gap in either direction off of earnings.

	WTD	MTD	QTD	YTD
Dow Jones	-5.7%	-6.0%	-4.8%	-4.8%
S&P 500	-6.0%	-4.6%	-3.2%	-3.2%
Nasdaq	-6.5%	-3.9%	1.3%	1.3%
Russell 2000	-4.8%	-0.2%	-1.7%	-1.7%
C.D.	-4.8%	-3.5%	1.6%	1.6%
C.S.	-4.6%	-4.7%	-10.9%	-10.9%
Energy	-0.9%	0.5%	-7.5%	-7.5%
Fins	-7.2%	-6.9%	-3.9%	-3.9%
H.C.	-6.8%	-5.1%	-3.5%	-3.5%
Ind.	-5.0%	-4.7%	-4.0%	-4.0%
I.T.	-7.9%	-5.6%	1.5%	1.5%
Mats	-5.3%	-5.9%	-7.4%	-7.4%
Utes	-2.5%	0.4%	-7.0%	-7.0%
REITs	-3.8%	0.2%	-9.0%	-9.0%

Earnings Calendar

Date	Time	Ticker
3/27	Pre-Market	FDS
3/28	Pre-Market	WBA