

WeeklyMarket

Update



General Market News

- After spending the better part of the past two weeks below 2.80 percent, the 10-year Treasury bounced back and opened Monday at 2.86 percent. The 30-year opened at 3.06 percent, and the 2-year was at 2.38 percent. The yield curve hasn't been this flat since 2007.
- U.S. markets were up across the board last week, as protectionism concerns waned and the Federal Open Market Committee expressed positive economic sentiment in its meeting minutes. A number of events supported free trade, including Chinese President Xi Jinping's speech at the Boao Forum, during which he vowed to further open his country's markets. In addition, there was news out of the White House about a possible NAFTA deal. President Trump also expressed interest in potentially rejoining the Trans-Pacific Partnership, an 11-nation free trade deal.
- The week was not without volatility, however, as we waited to see if and when the U.S., U.K., and France would strike at supposed chemical weapons facilities in Syria. Prices for West Texas Intermediate rose more than 8 percent on the news.
- Unsurprisingly, the energy sector posted the largest gain on the week. Technology followed, as investors reacted favorably to Mark Zuckerberg's testimony before Congress. The bond proxies in the utilities, REIT, and telecom sectors were among the worst performers.
- Last week was relatively quiet in terms of economic news. On Tuesday, the Producer Price Index came in higher than expected, with a 0.3-percent monthly gain. This put year-over-year growth at 3 percent.
- On Wednesday, the Consumer Price Index showed a 2.4-percent year-over-year increase, which was a step up from last month's reading of 2.2 percent. Given the healthy employment market, the Fed will keep a close eye on inflation as it determines when to hike rates again this year.
- Finally, on Friday, the University of Michigan consumer sentiment survey came in below expectations, declining to 97.8 in April. This is down from March's level of 101.4, but it is still a very strong reading historically.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	2.04	0.66	-0.10	16.32
Nasdaq Composite	2.77	0.64	3.24	23.73
DJIA	1.80	1.12	-0.87	21.90
MSCI EAFE	1.49	2.17	0.56	18.32
MSCI Emerging Markets	0.74	0.14	1.47	24.70
Russell 2000	2.41	1.34	1.26	16.69

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	-0.23	-1.69	0.04
U.S. Treasury	-0.41	-1.58	-0.91
U.S. Mortgages	-0.17	-1.37	-0.19
Municipal Bond	0.16	-0.95	2.02

Source: Morningstar Direct



What to Look Forward To

This will be a busy week for economic news. Reports will give us a look at consumer spending, the housing market, and industrial production and manufacturing. In other words, we'll get an update on the entire economy.

The retail sales report, released on Monday, beat expectations, showing a gain of 0.6 percent in March. Economists had expected sales to grow by 0.4 percent. A rebound in auto sales and another increase in Internet sales helped push up the result. Core retail sales, which exclude autos, also improved over February, growing by 0.3 percent in March. These numbers are healthy and show that consumers are continuing to spend.

Also on Monday, the National Association of Home Builders survey dropped from a strong 70 to 69, which is still healthy and positive for the industry. Housing starts, released on Tuesday, are expected to rise from 1.24 million in February to 1.27 million in March. After volatility in both multifamily and single-family sectors in recent months, this would be a positive development. Overall, demand remains strong, although supply is constrained, especially for existing homes.

Industrial production growth, also released on Tuesday, is expected to moderate from an unsustainable 0.9 percent in February to a still healthy 0.3 percent in March. This variance includes substantial

What to Look Forward To (continued)

weather-driven swings in utility production. Manufacturing output, which is a better economic indicator, is also expected to decline, largely driven by oil and gas production, from 1.3-percent growth in

February to a still healthy 0.4 percent for March. There may be some downside risk here, based on a decline in hours worked and February's strong result.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. Rev. 04/18.

Authored by the Investment Research team at Commonwealth Financial Network.