

WeeklyMarket Update



General Market News

- The yield on the 10-year Treasury opened at 2.20 percent Monday morning, its lowest level since last November. It took roughly three days for the 10-year to move from 1.82 percent to 2.20 percent following the election on November 7; as rates currently have momentum, we could see the 10-year move to 2 percent or even lower in the near future. The 30-year Treasury yield opened Monday at 2.89 percent, and the 2-year was back to 1.19 percent after touching a recent high of 1.37 percent.
- All three major indices lost ground last week. The Nasdaq led the move downward, falling 1.29 percent, while the S&P 500 and Dow Jones Industrial Average declined 1.18 percent and 0.99 percent, respectively. Rising geopolitical tensions, which included continued talk of U.S. action in Syria, the U.S.'s dropping of the largest non-nuclear bomb in Afghanistan, and China's deployment of troops along its border with North Korea, contributed to the decline. In addition, in a *Wall Street Journal* interview, President Trump seemingly reversed some of his campaign statements—mainly, that he would no longer label China a currency manipulator; that NATO is not obsolete, as it is contributing to the fight against; and that he would possibly nominate Federal Reserve Chair Janet Yellen to a second term—and markets took notice. Financials and technology led the sell-off last week, while consumer staples, utilities, and real estate were the top performers.
- Last week's economic data was slightly disappointing. The Jobless Claims report was unchanged and remains near historic lows. This is an encouraging sign for the U.S. jobs market following poor data released the week before. Both the Consumer Price Index and retail sales data came in below expectations. Although the inflation data was weaker than expected, the report is not likely to alter the odds of a rate hike in June, as weather largely affected the outcome. The poor retail data indicates that, although consumer confidence remains near multi-decade highs, this confidence hasn't yet translated into consumer spending.



Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	-1.18	-1.35	4.64	14.23
Nasdaq Composite	-1.29	-1.77	8.18	18.84
DJIA	-0.99	-0.96	4.18	17.20
MSCI EAFE	0.00	-0.58	6.76	10.44
MSCI Emerging Markets	0.54	0.54	12.06	17.15
Russell 2000	-1.59	-2.90	-0.52	20.76

Source: Bloomberg

Market Index Performance Data (continued)

FIXED INCOME

Index	Month-to-Date (MTD) %	Year-to-Date (YTD) %	12-Month %
U.S. Broad Market	0.93	1.75	0.95
U.S. Treasury	0.93	1.62	-0.79
U.S. Mortgages	0.78	1.26	0.77
Municipal Bond	0.79	2.38	0.29

Source: Morningstar Direct



What to Look Forward To

Data surrounding the housing industry will be the main focus this week. On Monday, the **National Association of Home Builders Housing Market Index**, an important gauge of home builder confidence, will be released. It is expected to remain near its current high levels.

This announcement will be followed on Tuesday by the release of **Housing Starts** and **Building Permits** data; both measures directly affect the future supply of housing stock.

Finally, **Existing Home Sales** data will be released on Friday. This figure is expected to rebound from a surprise decline last month that was caused primarily by a lack of supply.

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. 04/17.

Authored by the Investment Research team at Commonwealth Financial Network.