

WeeklyMarket

Update



General Market News

- On Monday morning, the 10-year, 30-year, and 2-year Treasuries opened at 2.82 percent, 2.93 percent, and 2.53 percent, respectively. The difference between short rates and long rates is at the narrowest level we've seen during the current economic expansion—pushing the yield curve flatter. Historically, the curve has been a good indicator of oncoming recessions, and it's now beginning to show signs that one may be on the horizon.
- After two consecutive weeks of losses for U.S. markets, performance turned around last week on news of a strong jobs report and generally positive sentiment from the Federal Open Market Committee meeting minutes. The Russell 2000 led the way up, followed by the Nasdaq Composite. Biogen (BIIB) was up more than 23 percent following positive results from its experimental Alzheimer's drug, BAN2401. This move helped push health care to the top spot for sector performance, with utilities and technology rounding out the top three. Energy, financials, and materials were among the worst-performing sectors.
- The U.S. implemented \$34 billion in tariffs on Chinese exports on Friday. China was quick to answer back with \$34 billion of its own tariffs on 545 U.S. exports, including soybeans, cotton, and tobacco. Both moves could increase risk and uncertainty in the markets.
- Last week's major data releases came in better than expected, as business confidence rose and jobs were added to the economy. On Monday, the Institute for Supply Management (ISM) Manufacturing index increased to 60.2 against expectations for a slight decline. This optimism was echoed by the ISM Nonmanufacturing index, which also moved higher despite expectations for a slight pullback.
- On Friday, the June employment report showed that 213,000 new jobs were added, against expectations for 200,000. In addition, wage growth remained steady at 2.7 percent on an annual basis.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.56	1.56	4.25	16.73
Nasdaq Composite	2.40	2.40	12.00	27.64
DJIA	0.82	0.82	0.09	17.33
MSCI EAFE	0.57	0.57	-1.85	8.02
MSCI Emerging Markets	-0.68	-0.68	-7.24	8.04
Russell 2000	3.12	3.12	11.03	22.47

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.24	-1.38	0.21
U.S. Treasury	0.18	-0.90	-0.02
U.S. Mortgages	0.10	-0.86	0.50
Municipal Bond	0.14	-0.11	1.89

Source: Morningstar Direct



What to Look Forward To

This week's releases will focus on prices, as well as provide a look into consumer confidence.

On Wednesday, the Producer Price Index is expected to rise by 0.2 percent in the headline number, which includes energy and food. This result would be down from a 0.5-percent increase in May and would be due largely to flat gasoline prices and tariff-driven increases in other input prices. The annual change for the headline index is expected to remain stable at 3.1 percent, indicating that longer-term pressures are keeping inflation elevated above the Federal Reserve's (Fed's) 2-percent target. The core number, which

excludes energy and food, is expected to tick up from 0.1 percent in May to 0.2 percent in June. The annual figure should remain solid at 2.6 percent. Overall, these figures are steady in aggregate. Beneath the surface, however, tariffs are driving faster input inflation.

On Thursday, the Consumer Price Index is likely to show steady inflation. The headline number is expected to rise by 0.2 percent in June, just as it did in May. The annual figure should increase from 2.8 percent in May to 2.9 percent in June on base effects. Similarly, the core number is expected to remain steady at 0.2 percent for June and tick up from 2.2 percent

What to Look Forward To (continued)

to 2.3 percent on an annual basis. As with the Producer Price Index, these figures indicate that inflation continues to run above the Fed's target, driving interest rate increases.

On Friday, we'll see the University of Michigan consumer confidence survey. It is expected to remain steady at a high

98.2, the same as in June. A small rise is possible, with the stock market moving back up and gas prices holding steady. But those factors may have been offset by rising concerns around trade. In any event, if confidence stays at the current elevated level, it would be a positive signal for continued growth.

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. 07/18.

Authored by the Investment Research team at Commonwealth Financial Network.