

# Weekly Market Update



## General Market News

- The 10-year Treasury opened at 2.64 percent early Monday, while the 2-year, 3-year, and 5-year Treasuries came in at 2.47 percent, 2.45 percent, and 2.44 percent, respectively. The 5-year Treasury is currently the lowest-yielding debt in the Treasury curve, while the 6-month and 1-year Treasuries are yielding more than the 7-year Treasury. The curve is experiencing volatility, as mixed economic data continues to be released.
- The markets were down around the globe last week, after weak data out of China and easing by the European Central Bank (ECB) led to global growth concerns. Chinese exports fell by 20.7 percent year-over-year in February. Many economists cited the Chinese New Year holidays as reason for some of the noise within the data. Following the decline in European Union growth to 1.1 percent, Mario Draghi and the ECB lowered guidance for rate forecasts and injected stimulus by providing cheaper rates for bank lending in the area.
- Health care, energy, and industrials were among the worst performers on the week. The top-performing sectors were utilities, REITs, and consumer staples, as investors favored a risk-off trade.
- The employment report was released on Friday, which showed that only 20,000 new jobs were added in February, compared with an expectation for 180,000 jobs. Despite the low jobs number, unemployment fell to 3.8 percent from 4 percent, and underemployment fell to 7.3 percent from 8.1 percent. Average hourly earnings also grew slightly more than expected at 3.4 percent compared with an estimate of 3.3 percent.
- Housing starts were also released on Friday, coming in higher than expected at 1.230 million versus the estimate of 1.195 million. This result was a nice rebound from the 1.078 million that we saw in January. Earlier in the week, new home sales rose 3.7 percent, well exceeding the estimate of an 8.7-percent decline.
- The Institute for Supply Management Manufacturing index showed a strong gain, moving to 59.7 compared with the prior month's result of 56.7. This number points to continued strength in the U.S. service economy.

## Market Index Performance Data

### EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	-2.12	-1.44	9.87	2.16
Nasdaq Composite	-2.43	-1.62	11.89	0.83
DJIA	-2.17	-1.75	9.67	4.56
MSCI EAFE	-1.91	-1.64	7.51	-6.55
MSCI Emerging Markets	-1.99	-1.93	6.91	-11.34
Russell 2000	-4.23	-3.36	13.10	-1.87

Source: Bloomberg

### FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.48	1.49	3.69
U.S. Treasury	0.54	0.74	3.70
U.S. Mortgages	0.42	1.12	4.03
Municipal Bond	0.32	1.62	4.39

Source: Morningstar Direct



## What to Look Forward To

This week is a busy one for economic data.

On Monday, the retail sales report will be released. The headline index is expected to rebound from December's surprising 1.2-percent drop to a flat result for January. The core index, which excludes autos, is expected to recover a bit more, from a 1.8-percent drop in December to a 0.4-percent gain in January. Much of the December decline was due to decreased income and confidence during the government shutdown, so the expected reversal would be reasonable. But even if the numbers come in as expected, they would indicate slower growth in the first quarter.

On Tuesday, the Consumer Price Index is expected to show a rise in the headline index, which includes energy and food, of 0.2 percent for February. This would be up from a flat result in January, leaving the annual rate at 1.6 percent. The core index, which excludes food and energy, is expected to hold steady at a 0.2-percent gain for February, the same as January. Here, the annual figure should stay steady at 2.2 percent. If the numbers come in as expected, inflation will remain solidly under control, which likely will keep the Federal Reserve patient on interest rates.

On Wednesday, the Producer Price Index is also expected to show moderate inflation.

**What to Look Forward To (continued)**

The headline index should rise from a 0.1-percent decline in January to a 0.2-percent increase in February. The annual rate, however, is expected to decline from 2 percent to 1.9 percent on base effects. Core prices are also expected to rise on a monthly basis, but by less, from an increase of 0.3 percent in January to a 0.2-percent gain in February. The annual figure is expected to stay steady at 2.6 percent.

Also on Wednesday, the durable goods orders report is expected to show a drop in the headline index. It should go from a 1.2-percent gain in December to a 0.8-percent decline in January, on a drop in aircraft orders. The core index, which excludes transportation and is a better economic indicator, is expected to rise from a 0.1-percent gain in December to a 0.3-percent gain in January. There may be some downside risk here, however, as surveys show slower business investment growth.

On Friday, the industrial production report is expected to bounce off a very weak January. Growth declined by 0.6 percent in January, largely on reduced manufacturing output. It is expected to rise by 0.6 percent in February, however, on resumed growth and higher utility production due to the cold weather. Manufacturing is also expected to rebound, from a 0.9-percent decline in December to a 0.5-percent rise in January. There may be some downside risk to both of these numbers on slowing global demand.

Also on Friday, the initial release of the University of Michigan consumer confidence index is expected to rebound a bit, from 93.8 in February to 95.8 in March. The government shutdown was responsible for much of the recent decline, reportedly, so its end should help the index bounce back a bit. Lower gas prices and the stock market recovery are also expected to help.

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. 03/19.

Authored by the Investment Research team at Commonwealth Financial Network.