

# WeeklyMarket Update



## General Market News

- Treasuries experienced some elevated volatility last week, with the U.S.-China trade talks and the newly imposed tariffs sending money to safety. The 10-year Treasury was as high as 2.48 percent last week and 2.54 percent the week before. It opened early Monday at 2.41 percent. The short end of the curve remains inverted. The 3-month Treasury is trading at 2.36 percent, which is higher than even the 8-year, which is currently trading at 2.35 percent.
- Global markets were down across the board last week, as U.S. and China trade concerns pushed markets lower. President Trump tweeted that he would increase the tariffs on \$200 billion of Chinese goods from 10 percent to 25 percent. The story continued to play out during the week as the president accused China of renegeing on their agreement. Despite the accusations, Liu He, a top Chinese trade official, and his team met with U.S. trade officials in Washington. The discussion did not do much to ease recent tensions.
- Those sectors hit hardest were technology, materials, and industrials. The top performers were consumer staples, energy, and REITs as investors flocked to safer assets.
- Last week was very quiet on the economic update front. On Thursday, the Producer Price Index showed 0.2-percent growth in April, leading to a 2.2-percent annual growth rate.
- On Friday, the Consumer Price Index showed 0.3-percent growth in April and 2-percent annual growth.

## Market Index Performance Data

### EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	-2.10	-2.09	15.77	7.99
Nasdaq Composite	-2.96	-2.13	19.77	8.12
DJIA	-1.96	-2.28	12.17	7.36
MSCI EAFE	-2.59	-2.66	10.35	-5.57
MSCI Emerging Markets	-4.51	-4.17	7.61	-8.10
Russell 2000	-2.52	-1.10	17.17	-0.56

Source: Bloomberg

### FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.25	3.22	5.71
U.S. Treasury	0.38	2.21	5.31
U.S. Mortgages	0.33	2.44	5.32
Municipal Bond	0.61	3.92	6.13

Source: Morningstar Direct



## What to Look Forward To

This week is a busy one for economic news, including looks at retail sales, consumer confidence, and the housing sector.

The data releases start on Wednesday with the retail sales report. The headline index is expected to show a gain of 0.2 percent for April. This would be reasonably healthy, although down from a rebound gain of 1.6 percent in March due to a decline in auto sales. The core index, which excludes autos and is a better economic indicator, is also expected to moderate, but by less. It should drop from a 1.2-percent gain in March to a still very strong 0.7-percent gain in April. If the numbers come in as expected, it would keep the short-term

trend in positive territory. It would also likely signal significantly stronger growth in spending in the second quarter after a weak first quarter.

Also on Wednesday, the industrial production report will be released. It is expected to improve from a small decline of 0.1 percent for March to flat for April, as a drop in utility production from unseasonably warm temperatures was offset by higher oil production and an improvement in manufacturing. Manufacturing is also expected to improve, from flat in March to a gain of 0.1 percent for April. Although the expected rebound would be welcome,

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

it would still leave both reports down over the past couple of months.

For the housing sector, the National Association of Home Builders will release its industry survey on Wednesday. It is expected to rise from 63 in April to 64 for May. This reflects rising confidence in the homebuilding market on improving sales of new homes. On Thursday, the housing starts report is expected to show similar improvement, with an increase from 1.14 million in March to 1.22 million starts for April on an annualized basis. Such an improvement would indicate the housing market is stabilizing after a slowdown. This would be consistent

with the rise in affordability and would be a positive economic indicator.

Finally, the University of Michigan consumer confidence survey, released on Friday, is expected to increase slightly from 97.2 in April to 97.8 in May. There may be some downside risk here, as gas prices have risen, and the recent stock market turbulence may weigh on confidence. If the number comes in as expected, this would be well above the historical average and serve as a counterweight to the weaker results from the recent Conference Board surveys.

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. 05/19.

Authored by the Investment Research team at Commonwealth Financial Network.