

Weekly Market Update



General Market News

- The yield on the 10-year Treasury opened this Monday at 2.39 percent, up from last week's low of 2.30 percent. The 30-year opened at 2.87 percent, also up from last week's low of 2.79 percent. The 2-year continues to grind higher, opening at 1.66 percent on Monday, its highest level since 2008, as the yield curve continues to flatten.
- All three major U.S. indices ticked slightly lower last week. The Dow Jones Industrial Average was down 0.35 percent, and the S&P 500 and Nasdaq Composite indices both were down 0.14 percent. This downturn snaps eight consecutive weeks of gains for U.S. equity markets. The top-performing sectors included real estate, consumer staples, and energy; financials, telecom, and materials were among the laggards.
- Last week, uncertainty affected multiple areas of the market. Domestically, the proposed House and Senate tax bills differed regarding when the 20-percent corporate tax cut should go into effect. The House bill called for the cut in 2018; the Senate bill pushed for the change in 2019.
- Federal Reserve (Fed) President William Dudley announced last week that he would step down in 2018. This marked yet another change at the Fed, which will already see the replacement of current Chair Janet Yellen and Vice Chair Stanley Fischer.
- Turning to international news, the governor of the People's Bank of China issued a warning last week about the country's "systemic financial risks," citing concerns over the rising amounts of leverage in China's economy.
- With just weeks to go before the U.K. was expected to reach a final financial agreement with the European Union over Brexit, U.K. Defense Minister Michael Fallon and U.K. Secretary of State for International Development Priti Patel were forced to resign.
- Last week was slow for economic news, as there was only one major data release. On Friday, the University of Michigan consumer sentiment survey declined slightly; however, this measure of consumer confidence remains near multi-year highs.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	-0.14	0.37	17.33	21.56
Nasdaq Composite	-0.14	0.41	26.65	31.15
DJIA	-0.35	0.34	20.99	27.60
MSCI EAFE	-0.40	-0.09	22.25	25.40
MSCI Emerging Markets	0.22	0.86	33.74	32.25
Russell 2000	-1.29	-1.80	9.87	19.41

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	-0.24	2.95	1.78
U.S. Treasury	-0.11	2.02	0.48
U.S. Mortgages	-0.17	2.12	0.93
Municipal Bond	0.36	5.30	3.00

Source: Morningstar Direct



What to Look Forward To

After a slow week last week, we'll have a busy one this week, with data releases covering the breadth of the economy.

On Wednesday, consumer price data will be released. The headline inflation index is expected to rise 0.1 percent for the month and 2 percent for the year. This is down from the previous month's 0.5-percent monthly increase and reflects the fact that gasoline prices have normalized and refineries have reopened after the hurricanes. Core prices, which exclude energy and food, are expected to increase by 0.2 percent for the month, which is up from 0.1 percent the previous month. The annual change is expected to remain

constant at 1.7 percent. If these numbers come in as expected, it would signal more of the same in slow price growth.

Also on Wednesday, retail sales growth is expected to tick down as the post-hurricane surge subsides. The headline number, including autos, is expected to drop from a 1.6-percent gain to a 0.1-percent gain. The core number, excluding autos, is also expected to drop, from a 1-percent gain to a 0.2-percent gain. There may be some downside here, as it's hard to estimate the effects of the hurricanes on retail sales. If the numbers come in as expected, it would indicate a normalization of the trend.

What to Look Forward To (continued)

Industrial production will be released on Thursday and is expected to fare better. The headline number is expected to rise to 0.4-percent growth from 0.3 percent, as the oil industry gets back to work. Manufacturing is expected to do even better, rising from 0.1-percent growth to 0.4-percent growth, as companies affected by the storms resume operations. If the numbers come in as expected, they would signal renewed growth in these sectors, and there may be some additional upside as well.

Finally, we'll also get a look at the housing industry. On Thursday, the National Association of Home Builders survey is expected to stay at a strong 68, a six-month high. On Friday, housing starts are expected to rise from 1.127 million to 1.188 million. With building permits down, there is probably some downside risk here. Overall, if the numbers come in as expected, the housing industry looks stable, albeit possibly slowing a bit.

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. 11/17.

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