

WeeklyMarket Update



General Market News

- The long end of the Treasury yield curve rose last week. The 10-year Treasury note opened at 2.89 percent on Monday, while the 30-year Treasury bond started at 3.03 percent. These are the highest yields for the long end of the curve in nearly a month.
- U.S. markets were mostly flat last week, behind mixed sector performance. Financials led the way, up more than 2 percent on the week, and banks saw strong loan pipelines. The news headlines didn't have much to offer, as both trade talks and Chair Powell's testimony before Congress didn't signal any definitive direction for the market.
- On the other side of earnings was Netflix, which was down more than 8 percent after missing second-quarter subscriber growth and guidance. With 17 percent of the companies in the S&P 500 reporting earnings, FactSet's blended growth rate for second-quarter earnings per share came in just under 21 percent. The week ahead will be a busy one for earnings, with Alphabet (GOOG/GOOGL), Facebook (FB), and Amazon (AMZN) all reporting.
- Last week was a quiet one for economic news. On Monday, June's retail sales figures came in strong, with 0.5-percent month-over-month growth. The core figure was encouraging as well, showing 0.3-percent growth.
- On Tuesday, the National Association of Home Builders Housing Market Index remained unchanged at 68. While this result did not meet expectations for a modest increase, it still represents a high level of overall confidence.
- On Wednesday, both housing starts and building permits declined. Permits were down 2.2 percent, and starts dropped by 12.3 percent. Given the higher costs of labor and materials, these declines were not unexpected, but the magnitude of the drops is concerning. This will be an important area of the economy to watch going forward.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.04	3.17	5.90	15.48
Nasdaq Composite	-0.07	4.15	13.91	23.72
DJIA	0.20	3.36	2.61	18.61
MSCI EAFE	0.63	1.37	-1.03	5.78
MSCI Emerging Markets	-0.44	0.57	-5.98	3.64
Russell 2000	0.58	3.31	11.23	19.13

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.15	-1.47	-0.89
U.S. Treasury	-0.12	-1.19	-1.24
U.S. Mortgages	0.11	-0.84	-0.24
Municipal Bond	0.42	0.17	1.12

Source: Morningstar Direct



What to Look Forward To

We'll see a wide range of data released this week, starting with housing. On Monday, the existing home sales report came in weak. Sales dropped from a downwardly revised 5.41 million (annualized) in May to 5.38 million in June, well below the expected 5.48 million. Affordability is declining, which may be starting to affect demand. On Wednesday, the new home sales report is expected to show a decrease from 689,000 in May to 670,000 in June (annualized) on continued shortages of supply. After the sector's weak report last week, these releases will provide a further look into whether housing is, in fact, rolling over.

On Thursday, the durable goods orders report is expected to show a swing from a decline of 0.4 percent in May to a gain of 2 percent in June. While this result would be positive, it would be primarily due to a surge in aircraft orders, making it less reliable as an economic indicator. The core orders, however, which exclude transportation, should also improve; a gain of 0.4 percent in June is expected, after a flat report in May. Manufacturing and industrial companies continue to benefit from both business investment here in the U.S. and stronger demand abroad.

What to Look Forward To (continued)

On Friday, the first official estimate of second-quarter gross domestic product is expected to show rising growth, from 2 percent in the first quarter to 4 percent in the second quarter. This result would be due to increased consumer spending and exports, particularly from a surge

in soybean exports to China. There may be some upside here as well, depending on the growth of imports. A strong second quarter has been anticipated for some time. So if the report comes in solid, it will simply meet expectations.

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.

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