

Weekly Market Update



General Market News

- Rates moved higher last week after hitting a recent cycle low the previous week. The 10-year Treasury was as low as 2.33 percent 11 days ago and sold off to rates as high as 2.54 percent late last week. It opened at 2.48 percent early Monday. Meanwhile, the 2-year opened at 2.33 percent, and the 30-year opened at 2.90 percent.
- Global markets were up across the board last week. Global growth trade was back on as manufacturing surveys out of both the U.S. and China showed signs of improvement. Additionally, there appeared to be continued traction in trade talks between the two countries. Mortgage and auto data also showed signs of improvement following the Federal Reserve's (Fed's) dovish move on rates last month.
- Materials, financials, and consumer discretionary were the top three performers on the week. The sustained lower interest rate environment supported the materials and consumer discretionary sectors. Meanwhile, financials moved higher, supported by higher yields. Consumer staples, utilities, and health care were among the worst performers on the week, as investors favored the risk-on trade.
- Last week was a relatively busy one for economic updates. On Monday, February's retail sales disappointed, falling 0.2 percent against expectations for 0.2-percent growth. Also on Monday, the Institute for Supply Management (ISM) Manufacturing survey was released. This measure of manufacturer sentiment rose by more than expected, from 54.2 to 55.3.
- On Tuesday, February's durable goods orders declined by 1.6 percent, which was slightly better than the 1.8-percent drop that was expected. The core figure, which strips out volatile transportation orders, grew by 0.1 percent.
- Thursday saw the release of the ISM Nonmanufacturer survey. This index disappointed, falling from 59.7 to 56.1. This is a diffusion index, where values greater than 50 indicate expansion. So, this decline is not something to be overly concerned about for the time being.
- Finally, on Friday, March's employment report was released. Expectations were muted following a disappointing February. But March saw a strong rebound in job creation, with 196,000 new jobs added during the month. Unemployment remained unchanged at 3.8 percent.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	2.09	2.09	16.02	10.83
Nasdaq Composite	2.73	2.73	20.00	13.41
DJIA	1.95	1.95	14.00	10.36
MSCI EAFE	2.01	2.01	12.34	-1.72
MSCI Emerging Markets	2.58	2.58	12.79	-4.34
Russell 2000	2.80	2.80	17.79	3.97

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	-0.30	2.64	4.53
U.S. Treasury	-0.46	1.64	4.23
U.S. Mortgages	-0.15	2.01	4.44
Municipal Bond	-0.30	2.59	5.17

Source: Morningstar Direct



What to Look Forward To

This week is a busy one for economic news. On Wednesday, the consumer prices report is due. The headline index, which includes energy and food, is expected to rise from a 0.2-percent increase in February to a 0.3-percent increase for March on a rebound in energy prices. This will take the annual rate from 1.5 percent to 1.8 percent, which is still well below the Fed's inflation target. This increase will be entirely due to gasoline prices. The core index, which excludes energy and food and is a better economic indicator, is expected to be lower. It should edge up from 0.1 percent in February to 0.2 percent in March but remain steady at 2.1 percent

on an annual basis. Overall, if the numbers come in as expected, they would show that inflation remains under control.

On Wednesday, the minutes from the Fed's March meeting will be released, giving us some insight into the Fed's decision to leave rates unchanged last month. Expectations are that the notes will show that Fed members are unlikely to raise rates this year but could include more color on how they plan to stop reducing the Fed balance sheet. These notes are unlikely to move markets. But in conjunction with the price data, they could serve to reinforce market expectations of a steady rate policy.

What to Look Forward To (continued)

The producer price report, due on Thursday, is expected to show similar results to the consumer prices report. The headline number is expected to rise from 0.1 percent to 0.3 percent, on energy. In this case, the annual rate should stay at 1.9 percent, due to base effects. Similarly, the core index will rise slightly, from 0.1 percent to 0.2 percent. Here, the annual rate is expected to drop from 2.5 percent to 2.4 percent. These numbers would be consistent with the consumer price report and have the same meaning.

Finally, the University of Michigan consumer confidence survey, released on Friday, is expected to drop slightly from 98.4 in March to 98 in April. Although gas prices have risen, the stock market has done well and job growth has rebounded, which should leave confidence steady. 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 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. 04/19.

Authored by the Investment Research team at Commonwealth Financial Network.