

WeeklyMarket Update



General Market News

- Rates moved higher late on Friday, with the 10-year Treasury jumping to 2.56 percent; it also opened there Monday morning. Meanwhile, the 2-year opened at 2.40 percent and the 30-year opened at 2.97 percent. The short end of the curve remains inverted, as the 3-year is yielding 2.36 percent and the 3-month is yielding 2.37 percent.
 - The S&P 500 and Nasdaq Composite were up modestly ahead of the start of earnings season. The Dow Jones remained flat on the week, as industrial names like Boeing (BA) and General Electric (GE) lagged. Bank earnings kicked off this season with Friday's release of J.P. Morgan Chase (JPM) and Wells Fargo (WFC). J.P. Morgan was up 5.6 percent on the week as it continues to grow its balance sheet. But the same can't be said about Wells Fargo, which was down 4.7 percent and continues to be clamped by regulators.
- In macro news, we saw stabilization in Chinese credit, supported by an increase in new bank loans.
- Financials, communication services, and technology were the top-performing sectors on the week. Health care, energy, and utilities were among the biggest laggards.
 - On Wednesday, March's Consumer Price Index showed 0.4-percent monthly growth, which contributed to inflation of 1.9 percent year-over-year. On Thursday, the Producer Price Index showed similar growth, with consumer inflation of 2.2 percent on a year-over-year basis.
 - On Friday, the University of Michigan consumer sentiment survey declined from 98.4 to 96.9. A modest drop to 98.2 was expected, so this is a disappointing result.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.56	2.66	16.67	11.34
Nasdaq Composite	0.58	3.33	20.69	13.04
DJIA	-0.03	1.92	13.96	10.40
MSCI EAFE	0.30	2.31	12.67	-2.66
MSCI Emerging Markets	0.41	3.00	13.25	-4.82
Russell 2000	0.16	2.96	17.98	3.16

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	-0.41	2.52	4.30
U.S. Treasury	-0.77	1.32	3.83
U.S. Mortgages	-0.27	1.89	4.34
Municipal Bond	-0.22	2.67	4.99

Source: Morningstar Direct



What to Look Forward To

This week is a busy one for economic data.

On Tuesday, we'll see the industrial production report. It is expected to rebound from flat in February to a gain of 0.3 percent for March, largely on gains in utility production and possibly in oil production, as well as on higher prices. Manufacturing is also expected to improve, from a decline of 0.4 percent in February to a gain of 0.2 percent for March. Here, there is some downside risk on declines in hours worked in the sector.

Although the expected rebound would be welcome, it would still leave both reports down over the past couple of months.

Also on Tuesday, the National Association of Home Builders industry survey will be released. It is expected to rise from 62 in March to 64 for April, reflecting rising confidence in the homebuilding market. With interest rates declining, affordability has improved, which would make such an improvement reasonable.

What to Look Forward To (continued)

On Wednesday, the international trade report is expected to show the trade deficit worsening slightly, going from \$51.1 billion in January (which was a sharp drop over December) to \$53.6 billion for February. Despite the small move, this result would still be better than recent figures. Further, it would help first-quarter growth, or at least act as less of a headwind than expected.

On Thursday, the retail sales report will be released. The headline index is expected to rise sharply, from a 0.2-percent decline for February to a 0.8-percent gain for March, on a rebound in auto sales and higher gasoline prices. The core index, which excludes autos, is also expected

to bounce, from a 0.4-percent drop in February to a 0.7-percent gain in March. If the numbers come in as expected, it would take the short-term trend back into positive territory but would still be weak by recent standards. Even with the rebound, the data suggests we may well see slower growth in the first quarter.

Finally, on Friday, the housing starts report is expected to show improvement, with an increase from 1.16 million in February to 1.23 million for March on an annualized basis. Such an improvement would indicate the housing market is stabilizing after a slowdown, which again would be consistent with the rise in affordability and be a positive economic indicator.

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.