APRIL 22, 2019

Weekly Market Update

General Market News

- Rates moved slightly upward last week, with the 10-year Treasury opening at 2.57 percent on Monday. The 30-year also moved higher, nearly hitting 3 percent midweek before settling back and opening at 2.97 percent on Monday.

- U.S. indices were mixed last week as cyclical stocks outperformed, while defensive names faced selling pressure. The risk-on trade was largely driven by investors moving out of health care, real estate investment trusts, and utilities. The sell-off in health care was due to pressure from both sides of the political aisle: Bernie Sanders and the Democratic Party floated the "Medicare for All" proposal, while President Trump and his administration are said to be preparing their own overhaul of the health care system. Investors appeared to move away from the uncertainty surrounding health care and into technology, financials, and consumer discretionary stocks, which are being supported in earnings season and strengthening retail data. Health care providers—like Tenet Healthcare (THC), HCA Healthcare (HCA), and Cigna (CI)—were among the stocks that were hit particularly hard. We would keep an eye on these stocks, as it will be interesting to see if the rhetoric around health care continues into the 2020 campaign season or if it will take a back seat to other issues.

- Last week was light on economic updates, in part due to the market holiday on Friday. The one major release that we saw was positive, however. Retail sales in March rebounded from a decline in February, rising by 1.6 percent against expectations for 1-percent growth. This was a very positive result, as retail sales were slow to start the year. The initial slow sales trend was in response to lowered consumer confidence at year-end, but confidence has since largely recovered. It is very encouraging to see sales following the same trend.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–0.07	2.59	16.59	10.05
Nasdaq Composite	0.17	3.51	20.90	11.71
DJIA	0.60	2.53	14.64	10.22
MSCI EAFE	0.35	2.65	13.07	–3.70
MSCI Emerging Markets	0.34	3.35	13.63	–5.11
Russell 2000	–1.20	1.73	16.57	0.85

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.35	2.58	4.79
U.S. Treasury	–0.68	1.42	4.36
U.S. Mortgages	–0.30	1.86	4.57
Municipal Bond	–0.19	2.70	5.21

Source: Morningstar Direct

What to Look Forward To

This is a slow week from a data standpoint, but we will get a look at housing sales, durable goods orders, and what economic growth looked like at the start of the year.

On Monday, the existing home sales report is expected to show that sales slowed from an annualized rate of 5.51 million in February to 5.29 million in March. This result would suggest that lower mortgage rates may not have supported housing demand as much as expected. Similarly, on Tuesday, the new homes sales report is expected to drop from a 667,000 annualized run rate in February to 645,000 in March. If these numbers come in as expected, they would show that recent optimism around the housing sector may be overdone.

On Thursday, we will see the durable goods orders report. The headline index is expected to show a significant rebound, going from a 1.6-percent decline in February to a 0.5-percent gain in March. This jump would be based largely on a recovery in aircraft orders, despite Boeing's problems with the 737 Max. The core index, which excludes transportation and is a better economic indicator, is also expected to show a rebound, from a decline of 0.1 percent to a gain of 0.3 percent. There may be some downside risk to these numbers as recent business

What to Look Forward To (continued)

confidence survey data has been weak. Even if the numbers come in as expected, slowing business investment growth is likely to be a drag on first-quarter growth.

Finally, on Friday, the initial estimate of first-quarter economic growth, in gross domestic product, is expected to show growth dropping from 2.2 percent in the fourth quarter of last year to 1.8 percent for the first quarter of 2019. Most of the growth is likely to come from net trade, on faster export growth, slowing imports, and increased government spending, while consumption and business investment both slowed. First quarters have historically been weak and followed by stronger growth. So, if the number comes in as expected, it would be in line with recent history.

Authored by the Investment Research team at Commonwealth Financial Network.