

# 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.

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.

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