# Weekly Market Update

## General Market News

- Rates were very volatile last week, with the 10-year Treasury hitting a low of 2.46 percent on Wednesday and a high of 2.56 percent on Friday. Concerns over trade talks with China drove rates down over the weekend, with the 10-year starting the week at 2.48 percent.
- U.S. markets were mixed last week, as Federal Reserve (Fed) Chair Jerome Powell and the Federal Open Market Committee (FOMC) kept rates unchanged and maintained a patient approach. On Wednesday, Powell held his press conference after the most recent FOMC meeting. The biggest news was that he saw the decline in core inflation as transitory and reiterated that the Fed will continue to be patient and lean on the data for its inflation mandate. As we move toward the end of peak earnings season, the blended earnings growth rate (according to FactSet) has come in at –0.8 percent compared with the nearly –4.2 percent at the beginning of earnings season. Here, it seems the effect of the government shutdown, fourth-quarter selloff, and delayed tax refunds has waned.
- The tech sector saw mixed results last week, as Apple (AAPL) beat citing improvement in China, while Alphabet (GOOG/GOOGL) missed citing currency headwinds and issues with the YouTube algorithm, which hurt ad revenues. The top-performing sectors on the week were health care, financials, and industrials. The worst performers were energy, communication services, and materials.
- Last week was a very busy one for economic updates. On Monday, March's personal income and personal spending reports showed growth of 0.1 percent and 1 percent, respectively. The growth in spending was especially impressive.
- On Tuesday, the Conference Board consumer confidence survey came in better than expected. It jumped from 124.1 to 129.2, against expectations for 126.8.
- On Wednesday, the Fed released the FOMC rate decision, which kept the federal funds rate unchanged. This decision was widely expected by market participants.
- Wednesday also saw the release of the Institute for Supply Management (ISM) Manufacturing survey. As expected, this measure of manufacturer confidence dropped, from 55.3 to 52.8. The magnitude of the drop, however, was larger than expected.
- On Friday, the ISM Nonmanufacturing survey was released. The news here was also disappointing. The survey declined from 56.1 to 55.5, against expectations for a modest bump up to 57.
- Finally, Friday also saw the release of April's employment report, which came in much better than expected. An eye-opening 263,000 new jobs were added during the month. This number drove the unemployment rate down to 3.6 percent, which is the lowest level since 1969.

## Market Index Performance Data

### EQUITIES

| Index | Week-to-Date % | Month-to-Date % | Year-to-Date % | 12-Month % |
|---|---|---|---|---|
| S&P 500 | 0.22 | 0.01 | 18.26 | 14.28 |
| Nasdaq Composite | 0.23 | 0.86 | 23.43 | 16.45 |
| DJIA | –0.14 | –0.33 | 14.41 | 13.35 |
| MSCI EAFE | 0.33 | –0.05 | 13.28 | –2.04 |
| MSCI Emerging Markets | 0.48 | 0.36 | 12.69 | –2.14 |
| Russell 2000 | 1.42 | 1.45 | 20.19 | 5.80 |

*Source: Bloomberg*

### FIXED INCOME

| Index | Month-to-Date % | Year-to-Date % | 12-Month % |
|---|---|---|---|
| U.S. Broad Market | –0.06 | 2.90 | 5.33 |
| U.S. Treasury | –0.10 | 1.72 | 4.70 |
| U.S. Mortgages | 0.10 | 2.21 | 5.01 |
| Municipal Bond | 0.12 | 3.41 | 5.94 |

*Source: Morningstar Direct*

## What to Look Forward To

This week's data is focused around prices. There will also be an update on the trade balance.

The producer price reports are due on Thursday. The headline index, which includes energy and food, is expected to drop from a 0.6-percent increase in March to a 0.2-percent increase for April on a moderation in overall energy prices. Here, there may be some upside risk from continued gasoline price increases. This result would take the annual rate from 2.2 percent up to 2.3 percent, which is still reasonably consistent with the Fed's inflation target. The core index, which excludes energy and food and is a better economic indicator, is expected to edge lower on a monthly basis, from 0.3 percent in March to 0.2 percent in April. The annual rate is still expected to increase, from 2.4 percent to 2.5 percent, on base effects.

Also on Thursday, we will see the international trade report. It is expected to show that the trade deficit worsened slightly, going from \$49.4 billion for February to \$51.4 billion for March. This is a reversal of the improvement seen during the first quarter. It may suggest that, as expected, the trade balance will likely not contribute as much to growth for the second quarter.

On Friday, the consumer price reports are due. The headline index, which includes

**What to Look Forward To (continued)**

energy and food, is expected to stay steady at a 0.4-percent increase from March to April on a continued rise in gasoline prices. This result would take the annual rate from 1.9 percent up to 2.1 percent, which is consistent with the Fed's inflation target.

The core index is expected to edge up from 0.1 percent in March to 0.2 percent in April, with a similar increase in the annual figures from 2 percent to 2.1 percent. Overall, if the numbers come in as expected, they would show that inflation remains under control.

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. 05/19.

Authored by the Investment Research team at Commonwealth Financial Network.