Weekly Market Update

General Market News

- Treasuries experienced some elevated volatility last week, with the U.S.-China trade talks and the newly imposed tariffs sending money to safety. The 10-year Treasury was as high as 2.48 percent last week and 2.54 percent the week before. It opened early Monday at 2.41 percent. The short end of the curve remains inverted. The 3-month Treasury is trading at 2.36 percent, which is higher than even the 8-year, which is currently trading at 2.35 percent.

- Global markets were down across the board last week, as U.S. and China trade concerns pushed markets lower. President Trump tweeted that he would increase the tariffs on $200 billion of Chinese goods from 10 percent to 25 percent. The story continued to play out during the week as the president accused China of reneging on their agreement. Despite the accusations, Liu He, a top Chinese trade official, and his team met with U.S. trade officials in Washington. The discussion did not do much to ease recent tensions.

- Those sectors hit hardest were technology, materials, and industrials. The top performers were consumer staples, energy, and REITs as investors flocked to safer assets.

- Last week was very quiet on the economic update front. On Thursday, the Producer Price Index showed 0.2-percent growth in April, leading to a 2.2-percent annual growth rate.

- On Friday, the Consumer Price Index showed 0.3-percent growth in April and 2-percent annual growth.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–2.10	–2.09	15.77	7.99
Nasdaq Composite	–2.96	–2.13	19.77	8.12
DJIA	–1.96	–2.28	12.17	7.36
MSCI EAFE	–2.59	–2.66	10.35	–5.57
MSCI Emerging Markets	–4.51	–4.17	7.61	–8.10
Russell 2000	–2.52	–1.10	17.17	–0.56

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.25	3.22	5.71
U.S. Treasury	0.38	2.21	5.31
U.S. Mortgages	0.33	2.44	5.32
Municipal Bond	0.61	3.92	6.13

Source: Morningstar Direct

What to Look Forward To

This week is a busy one for economic news, including looks at retail sales, consumer confidence, and the housing sector.

The data releases start on Wednesday with the retail sales report. The headline index is expected to show a gain of 0.2 percent for April. This would be reasonably healthy, although down from a rebound gain of 1.6 percent in March due to a decline in auto sales. The core index, which excludes autos and is a better economic indicator, is also expected to moderate, but by less. It should drop from a 1.2-percent gain in March to a still very strong 0.7-percent gain in April. If the numbers come in as expected, it would keep the short-term trend in positive territory. It would also likely signal significantly stronger growth in spending in the second quarter after a weak first quarter.

Also on Wednesday, the industrial production report will be released. It is expected to improve from a small decline of 0.1 percent for March to flat for April, as a drop in utility production from unseasonably warm temperatures was offset by higher oil production and an improvement in manufacturing. Manufacturing is also expected to improve, from flat in March to a gain of 0.1 percent for April. Although the expected rebound would be welcome,

What to Look Forward To (continued)

it would still leave both reports down over the past couple of months.

For the housing sector, the National Association of Home Builders will release its industry survey on Wednesday. It is expected to rise from 63 in April to 64 for May. This reflects rising confidence in the homebuilding market on improving sales of new homes. On Thursday, the housing starts report is expected to show similar improvement, with an increase from 1.14 million in March to 1.22 million starts for April on an annualized basis. Such an improvement would indicate the housing market is stabilizing after a slowdown. This would be consistent with the rise in affordability and would be a positive economic indicator.

Finally, the University of Michigan consumer confidence survey, released on Friday, is expected to increase slightly from 97.2 in April to 97.8 in May. There may be some downside risk here, as gas prices have risen, and the recent stock market turbulence may weigh on confidence. 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 recent Conference Board surveys.

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