

Weekly Market Update



General Market News

- The 10-year Treasury yield broke below the 2.20 percent level last week and opened at 2.06 percent on Monday. Treasuries all the way out to 7 years are now trading below 2 percent. The 3-year and 30-year Treasuries are trading as low as 1.81 percent and 2.54 percent, respectively.
- The sell-off in global markets continued last week, as trade tensions escalated between the U.S. and China. The week started with President Trump threatening that tariffs could go up “very substantially, very easily” on the Chinese. China later responded that some of the U.S. demands were an “invasion” of its economic sovereignty. Rumors later in the week were that China had a plan to restrict its rare materials supply to the U.S. and may target specific U.S. companies, such as FedEx, for diverting deliveries from Huawei headquarters to the U.S.
- Two surprises came late in the week, the first of which was President Trump’s threat to impose a 5 percent tariff on Mexican goods that would remain in place until border security improved. The second surprise came as the president stripped India of its developing nation status and exemption from duty-free export on more than 2,000 goods. The uncertainty surrounding major U.S. trade partners pushed investors to flock to safe haven assets, such as gold, which was up more than 2 percent on the week.
- Last week was a quiet one for economic updates. On Thursday, the second estimate of first-quarter gross domestic product (GDP) showed annualized economic growth of 3.1 percent. This result was down slightly from the 3.2 percent growth rate of the first estimate, but it still represents the best start to a year since 2015.
- On Friday, April’s personal income and personal spending figures both came in better than expected, with 0.5 percent and 0.3 percent monthly growth, respectively. These were solid results, as economists expected 0.2 percent growth in both figures.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	-2.58	-6.35	10.74	3.78
Nasdaq Composite	-2.38	-7.78	12.85	1.23
DJIA	-2.93	-6.32	7.54	4.05
MSCI EAFE	-1.85	-4.68	8.05	-5.26
MSCI Emerging Markets	1.24	-7.23	4.18	-8.34
Russell 2000	-3.18	-6.35	9.26	-9.04

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	1.78	4.80	6.40
U.S. Treasury	2.35	4.22	6.28
U.S. Mortgages	1.29	3.43	5.51
Municipal Bond	1.38	4.71	6.40

Source: Morningstar Direct



What to Look Forward To

This will be a busy week in terms of economic updates, as we open the month of June. The week begins with the release of the Institute for Supply Management (ISM) Manufacturing index on Monday. This gauge of manufacturer sentiment is expected to rise from 52.8 to 53 in May. On Tuesday, the ISM Nonmanufacturing index will be released. It is expected to show a similar modest bump from 55.5 to 55.6.

These two key measures of business confidence sit at their lowest combined level since October 2016, as trade

concerns have weighed on business optimism throughout the year. In light of this, although the expected increases in sentiment may be modest in absolute terms, they would still be welcome steps in the right direction.

On Thursday, April's international trade balance report is expected to show a widening trade deficit, from \$50 billion to \$50.5 billion. This follows a similar widening of the deficit in March. First-quarter GDP growth was bolstered by trade tailwinds. So, this expected deterioration in the trade balance amid

What to Look Forward To (continued)

ongoing trade disputes is a potential concern that should be monitored.

Finally, on Friday, we will receive May's employment report. About 190,000 new jobs are expected for the month,

following a strong 263,000 in April. The unemployment rate is expected to remain at 3.6 percent, as the job market remains very strong.

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. 06/19.

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