Weekly Market Update

General Market News

- After experiencing steep declines recently, Treasury yields remained in a tight range last week. While yields did reach cycle lows—2.05 percent for the 10-year and 1.73 percent for the 2-year—both rates were up slightly higher on Monday at 2.13 percent and 1.86 percent, respectively. The 30-year opened at 2.61 percent on Monday after being as low as 2.52 percent last week.
- Global markets rebounded with their best week of the year, as Jerome Powell and the Federal Reserve (Fed) stated that they will "act as appropriate to sustain the expansion." The market continued to rally on Friday after a poor employment report led investors to believe that the Fed will be more inclined to support activity through low rates. In fact, the Fed funds futures are indicating an 80 percent chance of a rate cut at the July meeting. Another potential reason for the rebound last week was oversold conditions.
- Materials, technology, and consumer staples were among the top performers on the week. The technology sector bounced back nearly 6 percent after a strong sell-off, which was due to the House Judiciary Committee's announcement that it would launch an investigation into the competition in digital markets. The lagging sectors were communication services, utilities, and consumer discretionary, although all of the sectors posted strong gains for the week.
- On Monday, we saw the release of the Institute for Supply Management (ISM) Manufacturing index. This gauge of manufacturer optimism declined from 52.8 in April to 52.1 in May. Economists had expected to see a modest uptick to 53. Although this decline was disappointing, this is a diffusion index, where values greater than 50 represent expansion. So, manufacturers are still expected to show some growth at current levels.
- On Tuesday, the ISM Nonmanufacturing index made up for the disappointing manufacturing results. It rose from 55.5 in April to 56.9 in May. This was a solid improvement in sentiment for the service sector and leaves the index at levels that are typically consistent with 2 percent annualized gross domestic product growth.
- Thursday saw the release of April's international trade report, which showed a trade deficit of $50.8 billion for the month. This was a slightly larger gap than economists expected. Both imports and exports fell sharply, as increasing trade war-related pressure is starting to show up in the hard data.
- Finally, on Friday, the May employment report was released. Only 75,000 new jobs were added during the month, against expectations for 175,000. Unemployment remained unchanged at 3.6 percent. All in, this was a concerning report, as strong job growth has been a major driver of overall economic growth in the current expansion.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	4.46	4.46	15.68	5.83
Nasdaq Composite	3.91	3.91	17.26	2.51
DJIA	4.77	4.77	12.67	5.39
MSCI EAFE	3.24	3.24	11.55	–3.94
MSCI Emerging Markets	1.04	1.04	5.26	–3.94
Russell 2000	3.36	3.36	12.94	–7.92

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.36	5.17	7.37
U.S. Treasury	0.33	4.57	7.24
U.S. Mortgages	0.26	3.70	6.36
Municipal Bond	0.20	4.92	6.74

Source: Morningstar Direct

What to Look Forward To

On Tuesday, the Producer Price Index for May will be released. Economists expect 0.2 percent month-over-month growth. That result should leave the annual producer inflation figure at 2 percent, down from the 2.2 percent rate seen in April.

The Consumer Price Index is set to be released on Wednesday. It is expected to show modest monthly growth of 0.1 percent. The headline measure of consumer inflation is likely to show 1.9 percent year-over-year growth, which is down from April's level. Inflation growth has slowed over the past few months, and further declines are possible.

On Friday, we will receive May's industrial production report. Economists expect 0.2 percent growth, following April's 0.5 percent decline. Much of the drop in April was due to lowered utilities output, which is expected to reverse in May. There may be some risk to the downside here, given the decline we saw in the ISM Manufacturing index.

Also on Friday, the University of Michigan consumer sentiment survey will be released. The index is expected to drop from 100 to 98. Although any decline would be disappointing, the index currently sits near 15-year highs, so this mild pullback would not be a concern.

What to Look Forward To (continued)

Finally, we will receive the advance report for May's retail sales on Friday. Economists expect a strong rebound of 0.7 percent growth in May, following a surprising decline in April. Given the high level of consumer confidence, strong spending growth should follow.

Authored by the Investment Research team at Commonwealth Financial Network.