# Weekly Market Update

## General Market News

- Last week, the 10-year Treasury yield dropped as low as 2.05 percent, and it opened at 2.10 percent on Monday morning. Most of the curve remains inverted, with the 3-year, 2-year, and 5-year yields coming in at 1.81 percent, 1.87 percent, and 1.86 percent, respectively.

- U.S. markets were up slightly last week, putting an end to the downward streak of the four weeks prior. Possible drivers were the suspension of tariffs on Mexico and news of constructive trade talks between U.S. Treasury Secretary Steven Mnuchin and People's Bank of China Governor Yi Gang.

- Last week saw a rebound in the communication services sector, which took a beating recently over looming FTC investigations. Facebook was up more than 4 percent. The weakest-performing sector was energy, which sold off as crude oil hit its highest level since July 2017.

- The week began with Tuesday's release of the Producer Price Index for May. Producer inflation rose by 0.1 percent during the month, which lowered the year-over-year inflation rate to 1.8 percent, down from 2.2 percent in April.

- On Wednesday, the May Consumer Price Index was released. Consumer prices rose by 0.1 percent, leaving year-over-year inflation at 1.8 percent. These two popular measures of inflation are now firmly below the Federal Reserve's (Fed's) stated 2 percent inflation target, so this slowdown is another reason the Fed is not expected to hike rates.

- On Friday, May's industrial production report was released. Production increased by 0.4 percent during the month, which was better than economist expectations for 0.2 percent growth. This result was primarily driven by increased utilities output.

- Also on Friday, the University of Michigan Consumer Sentiment Index declined slightly, from 100 to 97.8, as expected. This measure of consumer confidence still sits near 15-year highs, so this pullback, while worth watching, is not an immediate concern.

- Finally, we ended the week with the release of May's retail sales, which showed a strong rebound after a weak April. Retail sales grew by 0.5 percent in May, and the disappointing 0.2 percent loss in April was revised up to show 0.3 percent growth during the month. This was a very positive result for the economy, given the importance of consumer spending on overall growth. With confidence high and consumers spending, solid economic growth in the second quarter remains likely.

## Market Index Performance Data

### EQUITIES

| Index | Week-to-Date % | Month-to-Date % | Year-to-Date % | 12-Month % |
|---|---:|---:|---:|---:|
| S&P 500 | 0.53 | 5.01 | 16.29 | 5.87 |
| Nasdaq Composite | 0.73 | 4.67 | 18.12 | 1.57 |
| DJIA | 0.46 | 5.25 | 13.18 | 6.12 |
| MSCI EAFE | –0.26 | 2.98 | 11.26 | –3.95 |
| MSCI Emerging Markets | 0.90 | 1.96 | 6.21 | –7.11 |
| Russell 2000 | 0.58 | 3.97 | 13.59 | –8.36 |

*Source: Bloomberg*

### FIXED INCOME

| Index | Month-to-Date % | Year-to-Date % | 12-Month % |
|---|---:|---:|---:|
| U.S. Broad Market | 0.38 | 5.20 | 7.41 |
| U.S. Treasury | 0.33 | 4.56 | 7.28 |
| U.S. Mortgages | 0.19 | 3.63 | 6.23 |
| Municipal Bond | 0.08 | 4.79 | 6.72 |

*Source: Morningstar Direct*

## What to Look Forward To

This week is off to a rocky start with the release of May's National Association of Home Builders Housing Market Index. This gauge of home builder optimism was expected to increase from 66 to 67, which would have been a nine-month high. Instead, the index dropped to 64, due to declines in sentiment in the northeastern and western regions. While this result is disappointing, the index still sits well above the lows seen in December and January, so there is no immediate cause for concern.

On Tuesday, May's housing starts and building permits data is set to be released. Both measures of new home construction are expected to show mild growth. Despite a slight rebound in April, the supply of homes for sale remains well below late-2018 levels, so a positive surprise here would be welcome.

The Federal Open Market Committee is meeting this week and will be releasing its rate decision on Wednesday. Market participants widely expect the Fed to

### What to Look Forward To (continued)

keep rates steady and are looking ahead to the July and September meetings for potential rate cuts.

We will finish the week with the release of May's existing home sales data on Friday. Sales are expected to show 2.1 percent growth, following a decline in April. Falling rates have led to a surge in mortgage applications, so growth in housing sales should follow.

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.

Authored by the Investment Research team at Commonwealth Financial Network.