JUNE 24, 2019

Weekly Market Update

General Market News

- Rates dropped after the Federal Open Market Committee (FOMC) meeting last week. The 10-year Treasury yield dropped from 2.11 percent at the start of the week to below 2 percent after the meeting. On Monday, it opened at 2.02 percent. The 2-year and 30-year yields stand at 2.74 percent and 2.54 percent, respectively.

- The perceived dovish tone from the FOMC meeting was one of the main drivers in stocks last week. Although the committee left rates unchanged, investors flocked to riskier assets, as the word patient was removed from the stated approach to future potential rate cuts. Another driver of trade was news of heightened tensions between the U.S. and Iran, with Iran claiming responsibility for shooting down an American drone over the Strait of Hormuz on Thursday.

- The energy, technology, and industrials sectors were last week's top performers. Oil drove the rally in energy. The strength in technology was supported by the launch of Facebook's cryptocurrency, Libra, as well as strong operating numbers from Oracle and Adobe. Consumer staples, materials, and financials were underperformers.

- On Monday, the National Association of Home Builders Housing Market Index for May fell from 66 to 64, against expectations for a modest increase to 67. This unexpected decline was due to dropping sentiment in the northeastern and western regions, which was likely weather related. While this decline was disappointing, the index still sits well above lows seen in December and January, so there is no immediate cause for concern.

- On Tuesday, May's housing starts and building permits reports were released. These results were mixed, with starts declining by 0.9 percent and permits increasing by 0.3 percent. Economists had forecast modest growth for both figures, but housing starts surged by 5.7 percent in April, so the pullback in May is understandable.

- The week ended with the release of May's existing home sales figure on Friday. Existing home sales increased by 2.5 percent during the month, which beat expectations for 2.1 percent growth. Given the decline in home builder confidence during this same period, the growth in sales is very encouraging.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	2.22	7.34	18.87	9.48
Nasdaq Composite	3.03	7.84	21.70	5.28
DJIA	2.41	7.79	15.92	11.82
MSCI EAFE	2.22	5.27	13.73	0.72
MSCI Emerging Markets	3.84	5.86	10.28	0.46
Russell 2000	1.80	5.83	15.64	–6.96

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.82	5.66	7.75
U.S. Treasury	0.50	4.74	7.17
U.S. Mortgages	0.50	3.94	6.31
Municipal Bond	0.29	5.01	6.75

Source: Morningstar Direct

What to Look Forward To

Tuesday will see the release of May's new home sales report. Economists expect sales to grow by 2.2 percent month-over-month, which would be in line with the growth in existing home sales we saw last month. If we do see this modest growth, it would bring new home sales to its second-highest level in the past 12 months, nearing postrecession highs.

Tuesday will also see the release of the Conference Board consumer confidence survey. It is expected to decline slightly from 134.1 to 131 in June. Despite this expected pullback, consumer confidence remains near multiyear highs, as a healthy job market and a rebound in U.S. equities supported confidence during the month.

On Wednesday, we will receive the first report for May's durable goods orders. Headline orders are expected to decline by 0.2 percent, primarily driven by a decline in transportation orders. There is further downside risk here, as the impact from the ongoing grounding of the Boeing 737 MAX could lead to even steeper declines in headline orders. Core orders, which strip out volatile transportation figures, are expected to show modest 0.2 percent growth.

What to Look Forward To (continued)

On Friday, May's personal income and personal spending reports are both set to be released. Income is expected to grow by 0.3 percent, while spending is set to increase by 0.5 percent. This would follow similar growth figures from April. Consumer spending is the backbone of the economy, so this continued steady growth in consumers' ability and willingness to spend is very encouraging.

Finally, we finish the week with the second and final release of the University of Michigan Consumer Sentiment Index for June. It is expected to decline slightly from 97.9 to 97.7. Similar to the Conference Board measure of confidence, this index remains near postrecession highs, so this slight pullback is nothing to worry about.

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