Weekly Market Update

General Market News

- The 10-year Treasury yield reached a new cycle low of 1.93 percent before the holiday last Thursday, and it spiked back up to 2.06 percent on Friday. The 10-year opened at 2 percent on Monday. Most of the curve moved in a similar fashion, with the exception of the 6-month and the shorter part of the curve, which moved lower on the expectation of a rate cut at some point this year.
- All three major U.S. indices were up during the holiday week. The move was supported by a few of the FAANG constituents (i.e., Facebook, Apple, Amazon, Netflix, and Google), with Alphabet, Netflix, and Apple all up by more than 3 percent. These stocks were supported by resumed trade talks between the U.S. and China. In addition, companies like Alphabet are supported by the ability to resume sales to Chinese tech giant Huawei, which had temporarily been banned from receiving U.S. goods.
- The week began with Monday's release of the Institute for Supply Management (ISM) Manufacturing index. This measure of manufacturer optimism fell from 52.1 in May to 51.7 in June. This decline was smaller than economists expected, but it still brought the index to its lowest level since October 2016. This is a diffusion index, where values greater than 50 indicate expansion, so manufacturers still expect growth going forward.
- On Wednesday, May's international trade balance report was released. It showed the trade deficit went from $51.2 billion in April to $55.5 billion in May. This widening of the trade gap was due to faster growth in imports than exports during the month. Growth from international trade was a strong tailwind for first-quarter economic growth. As such, the continued widening of the trade gap over the second quarter is concerning, but it is not surprising given the ongoing trade wars.
- Wednesday also saw the release of the ISM Nonmanufacturing index, which declined by more than expected. It went from 56.9 in May to 55.1 in June, as new orders fell during the month. This disappointing result, combined with the similar move in the manufacturing survey, indicates that economic growth in the second quarter likely slowed from the roughly 3 percent annual growth rate we saw in the first quarter.
- On a more positive note, on Friday, the June employment report was released. Overall, 224,000 new jobs were added, which was significantly higher than the economist average forecast of 160,000. The underlying data was also positive, with labor force participation increasing and wages growing at 3.1 percent on an annualized basis. The unemployment rate ticked up slightly, from 3.6 percent to 3.7 percent, but this was due to an increase in the number of workers entering the job market. Unemployment remains near 50-year lows, so this number is nothing to be concerned about for the time being.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.69	1.69	20.55	11.51
Nasdaq Composite	1.96	1.96	23.71	8.77
DJIA	1.27	1.27	16.87	13.19
MSCI EAFE	0.52	0.52	15.09	2.35
MSCI Emerging Markets	0.69	0.69	11.53	3.57
Russell 2000	0.59	0.59	17.68	–4.86

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.15	5.96	7.57
U.S. Treasury	–0.31	4.86	6.81
U.S. Mortgages	0.02	4.20	6.25
Municipal Bond	0.06	5.16	6.69

Source: Morningstar Direct

What to Look Forward To

Wednesday will see the release of the minutes from the most recent Federal Open Market Committee meeting in June. Many Federal Reserve (Fed) members lowered their interest rate expectations for the year at the June meeting, with nearly half of the officials indicating that they expect to cut rates by the end of the year. The minutes may provide additional insight into the future path of monetary policy, which is especially important given market expectations for a rate cut at the next Fed meeting in July.

On Thursday, the Consumer Price Index for June is set to be released. Economists expect no change in month-over-month inflation, which would bring year-over-year inflation to just 1.6 percent. Consumer inflation has been trending downward this year, despite the strong jobs market and wage growth above 3 percent. One of the major factors holding back consumer inflation is low gasoline prices, which are expected to fall nearly 4 percent on a month-over-month basis.

What to Look Forward To (continued)

On Friday, the Producer Price Index for June will be released. This measure of producer inflation is expected to show 0.1 percent monthly growth and 1.8 percent inflation on an annual level. With these expected declines, both producer and consumer inflation are expected to remain firmly below the Fed's stated 2 percent inflation target.

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. 07/19.

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