Weekly Market Update

General Market News

- Last week, rates moved higher across the curve. The 10-year opened on Monday at 2.11 percent, while the 30-year opened at 2.64 percent and the 2-year opened at 1.83 percent.
- U.S. indices continued their streak of gains last week, with the S&P 500 closing above the 3,000 level. The leading sectors were energy, consumer discretionary, and technology. The top detractors were health care, materials, REITs, and utilities.
- On Wednesday, we saw the release of the minutes from the most recent Federal Open Market Committee meeting in June. As expected, they showed that many Federal Reserve (Fed) officials are growing more concerned with downside risks to the economy, as global growth continues to slow in the face of ongoing trade turbulence. Officials indicated that these concerns may be enough to justify near-term rate cuts to support the economy. This supportive attitude, combined with similar comments made to Congress by Fed Chairman Jerome Powell, has market participants widely expecting a rate cut at the next Fed meeting at the end of the month.
- On Thursday, the Consumer Price Index for June was released. Headline inflation came in as expected, falling to 1.6 percent on a year-over-year basis due in large part to weakness in energy prices. Consumer inflation has declined on a year-over-year basis in each of the past three months, and it now sits well below the Fed's stated 2 percent inflation target. The core inflation figure, which strips out the impact of food and energy costs, came in higher than expected, with 0.3 percent monthly growth. This result brought the year-over-year core figure to 2.1 percent. Consumer inflation may be set to increase further, as the impact from tariffs on Chinese goods has yet to fully hit consumers.
- On Friday, June's Producer Price Index was released. It showed higher-than-expected producer inflation. Monthly inflation rose by 0.1 percent against expectations of no change. On a year-over-year basis, producer inflation grew by 2.3 percent. As was the case with consumers, low energy prices held back faster inflation during the month, and there may be room for faster growth due to increased pressure from Chinese tariffs.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.82	2.53	21.54	9.89
Nasdaq Composite	1.01	3.00	24.96	6.53
DJIA	1.54	2.83	18.66	12.27
MSCI EAFE	–0.54	–0.02	14.47	1.18
MSCI Emerging Markets	–0.75	–0.06	10.70	1.04
Russell 2000	–0.34	0.25	17.28	–5.80

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.36	5.73	7.19
U.S. Treasury	–0.58	4.57	6.52
U.S. Mortgages	0.01	4.18	6.12
Municipal Bond	0.36	5.48	6.77

Source: Morningstar Direct

What to Look Forward To

On Tuesday, June's retail sales data is set to be released. Economists expect to see monthly growth of 0.2 percent, following a 0.5 percent increase in May. Core sales, which exclude auto and gas prices, are expected to show healthy growth of 0.4 percent. Consumer confidence remains near multidecade highs, so steady growth in sales should follow.

Also on Tuesday, June's industrial production report is set to be released. Production increased by 0.4 percent in May, partially due to 0.2 percent growth in manufacturing output. Economists expect 0.1 percent growth in production and 0.3 percent growth in manufacturing output for the month. Declining confidence figures in the manufacturing sector indicate that any increase in output is likely to be short lived unless confidence rebounds meaningfully.

Speaking of confidence, the National Association of Home Builders index is also set to be released on Tuesday. This measure of homebuilder confidence is expected to remain stable at 64 for July, as homebuilders remain reasonably confident in the housing market. The index is broken down by region. For most of the year, homebuilders in the Northeast and Midwest have shown significantly lower confidence scores

What to Look Forward To (continued)

than their counterparts in the South and West, which suggests regional weakness rather than a country-wide decline.

Wednesday will see the release of June's housing starts data. It is expected to show a decline of 0.7 percent, following a decline of 0.9 percent in May. The decline in May lined up with a similar decline in homebuilder confidence, as a shortage of workers caused homebuilders to pause on new construction. There may be some upside potential here, as building permits increased in May for the first time in seven months, and homebuilder confidence is not expected to drop.

Finally, we'll end the week with Friday's release of the University of Michigan consumer confidence survey. Confidence is expected to pick up slightly, from 98.2 in June to 98.6 in July. Given the strong jobs market and stock markets that are near all-time highs, this expected increase in confidence would make a lot of sense. Growing consumer confidence bodes well for future economic growth in the second half of the year, as consumer spending is the backbone of the economy.

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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