JULY 22, 2019

Weekly Market Update

General Market News

- Rates fell across the curve last week, with the largest declines on the short end of the curve. The 10-year Treasury yield opened the week at 2.04 percent, and the 30-year opened at 2.56 percent.
- Markets were down on the week. The technology sector was dragged down by Netflix, which missed the mark on expected second-quarter subscriber growth. With a decline in U.S. subscribers and a miss in international growth, this news led Netflix stock to post a loss of 15.6 percent. The financials and consumer discretionary sectors declined, as investors are growing cautious ahead of expected lower interest rates and the recent dip in consumer confidence. Industrials and energy also grabbed headlines, with CSX Corporation cutting spending following lighter loads on railways. Despite some of the negative headlines, bank earnings remained strong.
- Turning to economic reports, last Tuesday brought the release of June's retail sales report, which came in better than expected. Economists had expected to see modest month-over-month growth of 0.2 percent, but consumers surprised to the upside, with 0.4 percent growth in June. This marks the fourth straight month of strong retail sales growth, which bodes well for overall economic growth in the second quarter.
- June's industrial production report also was released on Tuesday. Production was unchanged for the month, against expectations for modest growth of 0.1 percent. But this weakness was due to an unusually warm month that caused utility output to drop noticeably. Meanwhile, manufacturing output rose by 0.4 percent, which is the best monthly result since December. This bump in output is not likely to last, however, given the slowdown in global manufacturing and low confidence levels for manufacturers.
- The National Association of Home Builders index ticked up slightly on Tuesday, from 64 to 65. Economists had expected this measure of homebuilder confidence to remain flat for July; however, rising sentiment in the West and South more than offset declines in the Northeast and Midwest.
- Despite the rise in confidence, homebuilders were still hesitant to break ground on new housing, as evidenced by Wednesday's release of June's housing starts report. It showed a decline of 0.9 percent for the month. Building permits, which are another indicator of homebuilders' willingness to build more houses, declined by 6.1 percent. Permits had increased in May for the first time in seven months, so these declines were disappointing.
- Finally, the week ended with the release of the University of Michigan consumer confidence survey, which increased from 98.2 in June to 98.4 in July. This uptick in confidence was due in large part to the continued positive performance of the stock market and the solid employment situation.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–1.21	1.29	20.06	8.30
Nasdaq Composite	–1.18	1.78	23.48	5.25
DJIA	–0.61	2.21	17.95	10.92
MSCI EAFE	–0.13	–0.16	14.31	0.80
MSCI Emerging Markets	0.76	0.70	11.54	2.65
Russell 2000	–1.40	–1.15	15.64	–7.73

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.01	6.13	7.46
U.S. Treasury	–0.22	4.95	6.85
U.S. Mortgages	0.34	4.52	6.25
Municipal Bond	0.52	5.64	6.82

Source: Morningstar Direct

What to Look Forward To

On Tuesday, June's existing home sales data is set to be released. Sales are expected to remain flat for the month, despite a surge in mortgage applications in May. Wednesday will see the release of June's new home sales data, which is expected to show solid 3.5 percent monthly growth. Given the decline in rates this year and the corresponding increase in mortgage applications, faster growth in housing sales during the summer would be very welcome.

On Thursday, we will receive June's durable goods orders data. It is expected to show headline orders increasing by 0.8 percent for the month, following a 1.3 percent decline in May. May's decline was due in large part to a drop in orders for Boeing, following the grounding of the 737 MAX airplane. The core figure, which excludes the impact of volatile transportation orders, is expected to show steady growth of 0.2 percent following 0.4 percent growth in May.

On Friday, we will receive the first estimate of second-quarter gross domestic product growth. It is expected to come in at an annualized rate of 1.8 percent for the quarter, down from the 3.1 percent annualized growth rate in the first quarter. This result would be due primarily to declining business inventories

What to Look Forward To (continued)

and a drop in net trade. These two factors accounted for 1.7 percent of the growth in the first quarter and are expected to drag down growth by 1.9 percent in the second quarter. On a more positive note, consumer spending is expected to be a major source of growth for the second quarter, as consumers were both willing and able to spend more in the second quarter than in the first.

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