Weekly Market Update

General Market News

- Last week, the yield curve remained relatively in line with the previous week. With the Federal Reserve (Fed) meeting this week and making a decision on rates, we could see a rate cut for the first time since 2008. The 10-year Treasury opened at 2.05 percent early Monday, the 30-year opened at 2.57 percent, and the 2-year opened at 1.84 percent.
- We entered peak earnings season last week, with a slew of big-name reports. These names included Amazon (AMZN), Alphabet (GOOG/GOOGL), Facebook (FB), Boeing (BA), and Caterpillar (CAT). These earnings results shaped U.S. index performance for the week, as the more industrial-heavy Dow Jones index lagged the more technology-focused Nasdaq Composite. Alphabet was up by more than 10 percent on the week, supported by website revenue growth. Turning to industrials, Boeing lost more than 8 percent on the week given the uncertainty surrounding 737 MAX production. We also saw softness in the auto industry, with Ford down by 6 percent and Tesla down by 11 percent, as both missed earnings expectations.
- Financials were among the top three sectors for the week as they continued to rally after strong earnings results from J.P. Morgan (JPM), Bank of America (BAC), and Citibank (C) in the middle of the month. Those sectors that underperformed included utilities, energy, health care, and consumer staples, as we saw a risk-on trade for the week following strong tech earnings.
- On Tuesday, June's existing home sales data was released. Existing sales fell by 1.7 percent during the month, against expectations for a decline of 0.4 percent. This marks the 16th straight month of year-over-year declines. Rising prices and a lack of supply in some regions continue to be headwinds for potential buyers.
- On a brighter note, Wednesday's release of new home sales data came in much better than expected. New home sales grew by 7 percent in June, higher than the 5.1 percent growth that was expected. Although this result was encouraging, existing homes make up a much larger part of the housing market. So, overall, this was a disappointing month for housing.
- On Thursday, June's durable goods orders report was released. Orders grew by 2 percent against expectations for modest 0.7 percent monthly growth. This performance was largely driven by higher-than-expected aircraft orders. With that being said, the core durable goods figure, which strips out transportation, grew by a strong 1.2 percent, indicating that business equipment spending was strong.
- The week ended with the release of the first estimate of second-quarter gross domestic product growth on Friday. The economy grew at an annualized rate of 2.1 percent in the second quarter. This number is down from the 3.1 percent growth rate of the first quarter but higher than expectations for 1.8 percent growth. This result was due to a rise in personal consumption, which grew by 4.3 percent during the quarter, up from just 1 percent in the first quarter. Higher-than-expected government spending also helped fuel some of the second quarter's growth.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.66	2.97	22.06	8.81
Nasdaq Composite	2.26	4.08	26.27	7.26
DJIA	0.14	2.35	18.11	9.06
MSCI EAFE	–0.20	–0.35	14.09	–0.99
MSCI Emerging Markets	–0.75	–0.06	10.70	–0.86
Russell 2000	2.02	0.84	17.97	–5.54

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.02	6.09	7.97
U.S. Treasury	–0.40	4.76	7.39
U.S. Mortgages	0.31	4.49	6.72
Municipal Bond	0.69	5.82	7.21

Source: Morningstar Direct

What to Look Forward To

The week will start with June's personal income and personal spending reports, which are scheduled to be released on Tuesday. Both are expected to show solid 0.3 percent monthly growth, following similar growth figures from May. If these estimates hold, it will mark five straight months of income growth and four straight months of spending growth.

One of the major drivers of consumer spending is high consumer confidence levels. On Tuesday, we will see the Conference Board Consumer Confidence Index for July, which is expected to rise from 121.5 to 125. With low unemployment and equity markets near or at all-time highs, a bounce back in confidence following a decline in May makes sense.

The Federal Open Market Committee (FOMC) is meeting on Tuesday and Wednesday and will release its rate decision on Wednesday afternoon. Economists widely expect the Fed to cut the range for the federal funds rate by 25 basis points (bps) in response to increasing trade tensions and slowing global economic growth. There is an outside chance that the FOMC will choose to cut rates by 50 bps, but recent comments from Fed officials indicate that a 25 bp cut is more likely. The market is currently pricing in a roughly 85 percent chance of a 25 bp cut. This would be the first rate cut since December 2008 and would likely signal a more supportive monetary policy going forward.

What to Look Forward To (continued)

On Thursday, the Institute for Supply Management Manufacturing survey is set to be released. This measure of manufacturers' confidence is expected to increase from 51.7 to 52 in July, following a large decline in June. Although the expected increase isn't large, manufacturer confidence has been declining since April. So, any positive result here would be welcome.

On Friday, we will get a look at June's international trade balance. The trade deficit is expected to decline slightly from $55.5 billion in May to $54.5 billion in June. Both imports and exports are expected to show declines in the face of ongoing trade turbulence and slowing global economic growth.

Also on Friday, we will see the release of July's employment report. Approximately 160,000 new jobs are expected, following a surge of 224,000 new jobs in June. The unemployment rate is expected to stay flat at 3.7 percent, which is near multidecade lows. Overall, the jobs market remains healthy, despite job growth slowing from 2018 levels.

Finally, we'll finish out the week with the second and final report for the University of Michigan consumer sentiment survey for July. Similar to the Conference Board figure set to be released on Tuesday, the University of Michigan survey is expected to increase modestly from 98.4 to 98.5 in July, based on the same tailwinds for the Conference Board survey.

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