Weekly Market Update

General Market News

- Last week, the Federal Reserve (Fed) lowered rates, and more tariffs were imposed on Chinese goods, ending the yield curve's recent flat streak. The 10-year Treasury yield, which was higher than 2 percent for the better part of the past month, dropped to 1.90 percent late last week and opened at 1.76 percent on Monday. The 30-year is at 2.30 percent, and the 2-year is at 1.61 percent.

- Markets sold off across the globe this past week, as the Federal Open Market Committee instituted the first rate cut since 2008. Global risks and lack of inflation were the main reasons for the cut. This decision led to debate over what the Fed's rate path would be for the remainder of the year. This uncertainty was compounded by rising trade tensions, which began when President Trump threatened to impose a 10 percent tariff on $300 billion of Chinese goods beginning September 1.

- Some positive news on the week was the strong earnings from health care companies, including Merck, Amgen, and Eli Lilly. All three were up by more than 3.5 percent.

- On Tuesday, we saw the release of June's personal income and personal spending reports, which both came in with solid growth. Incomes rose by 0.4 percent during the month, while spending grew by 0.3 percent. This marks four straight months of spending growth, which was a major driver of overall second-quarter growth.

- Spending growth was supported by income growth, but it was also driven by increasing consumer confidence. The Conference Board Consumer Confidence Index jumped by more than expected in July. It rose from 121.5 to 135.7, against expectations for a modest increase to 125. This boost in confidence was driven by a strong job market and equity markets that hit all-time highs during the month.

- Thursday saw the release of the Institute for Supply Management (ISM) Manufacturing index, which was expected to show a slight increase in manufacturer confidence in July. Unfortunately, manufacturer confidence declined during the month, as the index dropped from 51.7 to 51.2. This decline brings the index to its lowest level since August 2016, as manufacturers continue to feel the effect of slower global trade.

- Speaking of trade, on Friday, June's international trade balance was released. The trade deficit narrowed slightly from $55.5 billion in May to $55.2 billion in June, which was less than expected. The U.S. goods trade deficit with China widened to five-month highs of $30.2 billion, as U.S. exports declined by more than imports during the month.

- Also on Friday, July's employment report was released. Overall, 164,000 new jobs were announced, against expectations for 160,000. The underlying numbers were positive as well, with the participation rate increasing, underemployment falling, and wages growing faster than expected. The unemployment rate remained at 3.7 percent.

- Finally, we finished off the week with the second and final report for the University of Michigan consumer sentiment survey for July. It remained unchanged from the initial midmonth reading of 98.4. Despite the lack of change, this measure of consumer confidence still showed growth in July compared with June's levels.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–3.07	–1.60	18.32	5.83
Nasdaq Composite	–3.90	–2.09	21.35	3.71
DJIA	–2.59	–1.40	15.05	7.06
MSCI EAFE	–2.64	–1.74	11.07	–2.39
MSCI Emerging Markets	–4.24	–3.19	6.01	–3.18
Russell 2000	–2.85	–2.59	14.61	–7.53

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.74	7.14	9.00
U.S. Treasury	1.02	6.13	8.79
U.S. Mortgages	0.30	4.90	7.14
Municipal Bond	0.43	6.39	7.88

Source: Morningstar Direct

What to Look Forward To

The week is off to a rocky start with a disappointing result from July's ISM Nonmanufacturing index. It fell from 55.1 in June to 53.7 in July, against expectations for a modest increase. This decline brings the index to its lowest level since August 2016, as even the service side of the economy is feeling pressure from the slowdown in global trade amid the ongoing trade wars. This is a diffusion index, where values greater than 50 indicate expansion, so business owners still expect to see growth, but the slowdown in confidence should be monitored.

We'll end the week on Friday with the release of July's Producer Price Index. Producer inflation is expected to increase by 0.2 percent on a month-over-month basis, which would

What to Look Forward To (continued)

keep year-over-year inflation flat at 1.7 percent. Some of the low inflation in producer prices can be attributed to low energy costs. Core producer inflation, which strips out the effect of volatile food and energy prices, is expected to increase slightly on a year-over-year basis, from 2.3 percent to 2.4 percent.

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