Weekly Market Update

General Market News

- U.S. Treasury rates fell considerably over the past two weeks. In fact, they fell at the fastest pace we've seen in some time and are now below where they were prior to the 2016 election. The 10-year Treasury yield is trading at 1.68 percent, quickly approaching its all-time low of 1.35 percent seen in July 2016. The 2-year is at 1.59 percent, and the 30-year is at 2.20 percent. It's hard to imagine the 10-year was as high as 3.23 percent this past November.

- Despite a lot of volatility, markets were down modestly across the board last week. The volatility was driven largely by China's response to U.S. tariffs proposed the week prior. China ended all U.S. agricultural purchases, as well as changed its overnight currency rate to roughly 7-to-1 yuan-to-dollars. This action led President Trump to accuse the country of manipulating its currency. It remains to be seen who will take the next step forward in the recent trade spat.

- Investors moved toward safety last week, as utilities, materials, health care, and staples outperformed. The worst-performing sectors were energy, financials, and technology.

- Last week got off to a rocky start with a disappointing result from July's Institute for Supply Management Nonmanufacturing index. This survey, which measures business confidence for the service sector of the economy, fell from 55.1 in June to 53.7 in July, against expectations for a modest increase. This decline brought the index to its lowest level since August 2016. 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.

- On Friday, July's Producer Price Index was released. Producer inflation rose by the expected 0.2 percent during the month and by 1.7 percent year-over-year. Interestingly, core inflation, which strips out volatile food and energy prices, decreased by 0.1 percent during the month. This was the first decline in core producer prices in two years, and it brought year-over-year growth for core producer inflation down to 2.1 percent.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–0.40	–2.00	17.84	4.38
Nasdaq Composite	–0.51	–2.59	20.73	2.00
DJIA	–0.61	–2.00	14.35	5.53
MSCI EAFE	–1.14	–2.87	9.81	–4.12
MSCI Emerging Markets	–2.22	–5.32	3.66	–6.36
Russell 2000	–1.32	–3.87	13.10	–9.24

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	1.32	7.75	9.32
U.S. Treasury	1.91	7.07	9.43
U.S. Mortgages	0.39	5.00	6.92
Municipal Bond	1.07	7.07	8.54

Source: Morningstar Direct

What to Look Forward To

This week will begin with Tuesday's release of the Consumer Price Index for July. Consumer prices are expected to show 0.3 percent growth for the month, which should bring year-over-year inflation up to 1.7 percent. As was the case with producer prices, the core measure of consumer inflation is expected to show 2.1 percent year-over-year growth, which is broadly in line with the Federal Reserve's stated 2 percent inflation target.

On Thursday, July's retail sales data will be released. It is expected to show solid 0.3 percent monthly growth. Strong consumer spending was a major driver for second-quarter gross domestic product growth, so continued strength to start the third quarter would be a positive sign.

Also on Thursday, July's industrial production report is set to be released. Economists expect production to increase by 0.1 percent on a month-over-month basis, which would be a step up from June's flat result.

Thursday will also see the release of the August National Association of Home Builders Housing Market Index, which is a gauge of home builder sentiment. Home builder confidence is expected to increase slightly, from 65 in July to 66 in August. Confidence rose in July following

What to Look Forward To (continued)

a surprise decline in June, so another increase in August would be welcome.

On Friday, we'll see if improved home builder confidence in July translated to more home building, as July's housing starts and building permits are both set to be released. Both measures of new home building activity are expected to show modest growth in July following declines in June.

Finally, we'll finish off the week with Friday's release of the University of Michigan consumer sentiment survey. It is expected to decline from 98.4 in July to 97.5 in August. Stock market turbulence often weighs on consumer comfort, so it should come as no surprise that economists expect the recent market volatility to negatively affect confidence. Despite the projected decline, we're still well above levels seen in January and February. As such, there is nothing to worry about yet.

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