WeeklyMarket Update

General Market News

- The 10-year Treasury yield was as low as 1.47 percent late last week, before opening at 1.61 percent on Monday. The 30-year was below 2 percent for the first time ever. It opened at 2.11 percent on Monday, and the 2-year opened at 1.52 percent. Rates moved significantly lower, raising questions about the timing of the next recession. With yields close to historical lows and the Federal Reserve (Fed) just starting to lower rates, it is likely we will continue to see historically low yields across the curve.

- The S&P 500 fell by 2.9 percent on Wednesday, as investors flocked to safer fixed income assets. This reaction followed a negative gross domestic product print for the German economy for the second quarter (–0.1 percent) and the lowest factory output in China in 17 years. The index recovered in the second half of the week.

- Equity investors also sought out shelter last week in the traditional haven assets with bond proxy sectors, including consumer staples, utilities, and REITs. The top-performing sector, consumer staples, was supported by Walmart's strong quarter-over-quarter online sales growth of 37 percent.

- Last week's worst-performing sectors were financials, consumer discretionary, and energy. Wells Fargo and Citigroup were down 4.13 percent and 3.89 percent, respectively. Investors sold out of these positions following a yield curve inversion, which led to concerns over future net interest margins. The inversion earlier in the week came following growth concerns and led to a strong rally in longer-term bonds.

- On Tuesday, July's Consumer Price Index data was released. It showed inflation of 0.3 percent for the month and 1.8 percent year-over-year. Higher gas prices combined with higher prices for key areas of the service sector were the major drivers of this growth. Despite the increase in July, consumer inflation still sits comfortably below the Fed's 2 percent target.

- On Thursday, July's retail sales data came in much better than expected. Sales grew by 0.7 percent during the month, against expectations for 0.3 percent growth. Once again, rising gas prices played a part in this beat. But the major driver for sales growth came from the nonstore sales category, which was boosted by the annual Amazon Prime Day sales event midmonth. This was a very encouraging report, as consumer spending is the

General Market News (continued)

major driver of overall economic growth. The strong result for July bodes well for third-quarter growth, as long as consumers continue to spend.

- On a more negative note, Thursday also saw the release of July's industrial production report, which showed a 0.2 percent decline. This disappointing result was due in large part to a 0.4 percent drop in manufacturing output, where most major industries saw declines during the month. The slowdown in global trade has hurt demand for American goods abroad. Although the slowdown in production was disappointing, it is understandable given the current global trade landscape.

- The National Association of Home Builders Housing Market Index report for August was also released on Thursday. It showed an increase in home builder confidence, marking the second-straight month of increasing confidence. Prospective buyers ticked up to their highest level since October 2018, which could bode well for future home sales if mortgage rates remain low and draw in more would-be buyers.

- Despite the uptick in home builder confidence, construction data was mixed. Housing starts fell by 4 percent in July, against expectations for 0.2 percent growth. Multifamily apartment starts declined for the second-straight month, while single-family housing starts rose to their highest level since January. There may be hope for faster growth in housing starts going forward, as building permits rose by 8.4 percent during the month.

- On Friday, we finished the week on a sour note, with the University of Michigan consumer sentiment survey declining from 98.4 in July to 92.1 in August. Both the current conditions and future expectations indices dropped during the month, as stock market turbulence weighed heavily on consumer confidence, and uncertainty surrounding additional tariffs on Chinese goods spooked investors. Consumer spending is highly influenced by consumer confidence, so this will be a key economic indicator to keep an eye on going forward.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	−0.94	−2.91	16.73	3.77
Nasdaq Composite	−0.74	−3.31	19.83	2.26
DJIA	−1.40	−3.36	12.75	3.74
MSCI EAFE	−1.45	−4.26	8.22	−2.41
MSCI Emerging Markets	−1.01	−6.29	2.61	−2.17
Russell 2000	−1.24	−5.06	11.70	−10.13

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	2.29	8.78	10.02
U.S. Treasury	3.24	8.46	10.43
U.S. Mortgages	0.66	5.28	7.00
Municipal Bond	1.57	7.61	8.79

Source: Morningstar Direct

What to Look Forward To

Wednesday will see the release of July's existing home sales data, which is set to show 2.5 percent month-over-month growth, following a 1.7 percent decline in June. Given low mortgage rates and home builder reports of additional foot traffic, a strong showing here would be a positive sign that prospective home buyers have not been scared away by rising home prices.

The minutes from the Fed's July 31 meeting are also set to be released on Wednesday. This was a closely watched meeting, as the Fed voted to cut the federal funds rate for the first time in more than a decade, marking a shift toward a more supportive stance for the economy. Economists will be reading the minutes carefully to try to gauge the likelihood of future rate cuts.

What to Look Forward To (continued)

Finally, we will close out the week with the release of July's new home sales data on Friday. New home sales are forecast to decline by 0.2 percent during the month. Sales rose by 7 percent in June, so this projected decline is nothing to worry about—especially if we see growth in existing home sales, which make up a significantly larger portion of the housing market.