AUGUST 26, 2019

Weekly Market Update

General Market News

- We certainly have experienced some volatility in rates these past few weeks. The 10-year Treasury yield dropped from 1.71 percent to 1.44 percent last week. On Monday, it opened at 1.49 percent, moved quickly to 1.44 percent, and then jumped back to 1.52 percent. The 2-year opened at 1.51 percent, and the 30-year at opened 2.01 percent. With mixed economic numbers, trade uncertainties, and global tensions, volatility is likely to continue in the weeks and months to come.

- On Wednesday, Federal Reserve (Fed) Chair Jerome Powell made his speech from Jackson Hole. He stated that the bank will continue to act as appropriate to sustain the expansion, but he did not commit to an immediate cut. The Boston and Kansas City Fed Bank presidents Eric Rosengren and Esther George continued their dissent against further rate cuts. President Trump tweeted, "my only question is, who is our bigger enemy, Jay Powell or Chairman Xi?"

- U.S. equities fell last week due to escalating trade tensions. China stated it would implement a 5 percent–10 percent tariff on an additional $75 billion of U.S. goods. Friday afternoon closed with President Trump threatening a response to this action.

- Last week's worst-performing sectors were materials, telecommunications, and energy. Utilities, consumer discretionary, and REITs were among the top-performing sectors.

- Existing home sales came in as expected with month-over-month growth of 2.5 percent, following a 1.7 percent decline in June. Declining mortgage rates during the month helped spur growth in home purchases.

- New home sales were released on Friday, showing a decline of 12.8 percent month-over-month against expectations for a 0.2 percent increase. While this is a disappointing number, it does follow a period of 7 percent growth, and the new homes market is only a fraction of the size of the existing home sales market.

- The minutes from the Fed's July 31 meeting were released on Wednesday. The Fed showed an upbeat view of the economy, with some concerns about declining business investment and government spending causing a slowdown in gross domestic product in the second half of the year. The Fed's main concerns going forward were with international trade tensions, which skewed risks to the downside.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–1.42	–4.29	15.08	1.69
Nasdaq Composite	–1.81	–5.06	11.64	2.28
DJIA	–0.98	–4.30	11.64	2.28
MSCI EAFE	0.86	–3.43	9.15	–2.87
MSCI Emerging Markets	0.38	–5.93	3.00	–4.34
Russell 2000	–2.27	–7.22	9.17	–13.78

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	2.37	8.87	9.78
U.S. Treasury	3.18	8.40	10.00
U.S. Mortgages	0.66	5.28	6.74
Municipal Bond	1.45	7.48	8.56

Source: Morningstar Direct

What to Look Forward To

The week will begin with the release of July's durable goods orders, which are set to increase by 1.3 percent following a 1.9 percent gain in June. Orders have been volatile this year, so this projected gain for the second month in a row would be welcome. Much of the expected gain is due to increased aircraft orders, as the core durable goods figure, which strips out transportation orders, is expected to show merely 0.1 percent growth.

On Tuesday, the Conference Board Consumer Confidence Index for August is set to be released. Confidence is expected to fall to 130 from July's reading of 135.7. Consumer confidence is largely influenced by equity market performance, so it is not a surprise that economists expect August's market turbulence to negatively affect confidence.

On Friday, July's personal income and consumer spending reports are set to be released. Income is expected to show 0.3 percent growth during the month, while spending is set for 0.5 percent growth. These projected results are broadly in line with June's figures and would echo the strong retail sales report in July. Consumer spending remains one of the bright spots in the economy, so

What to Look Forward To (continued)

another month of solid income and spending growth would continue the strong trends we've seen this year.

We'll finish out the week with the second and final release of the University of Michigan consumer sentiment survey for August. Economists expect the survey to increase from the initial midmonth reading of 92.1 to 92.6 for month-end. Despite the increase, this result would still represent the second-lowest level for the index this year. As with the Conference Board's index, August's market volatility is to blame for economists' lowered expectations.

Authored by the Investment Research team at Commonwealth Financial Network.