Weekly Market Update

General Market News

- The rates market saw some volatility after the long weekend. The 10-year Treasury opened at 1.53 percent early Tuesday morning but quickly dropped to 1.46 percent. The 2-year Treasury opened at 1.49 percent, and the 30-year Treasury is back below 2 percent at 1.94 percent. The markets will be anticipating a rate decision from the Federal Reserve (Fed) again this month, as it meets on September 18.

- Global equities rallied last week as trade tensions waned slightly. The week began with President Trump claiming that China called the U.S. trade team and stated that it wanted to restart trade discussions. This call was not confirmed by Chinese officials but was followed by a comment from Chinese Vice Premier Liu that China is willing to resolve the trade dispute with calm negotiations. As of Thursday, the next round of in-person trade talks was set to take place this month, although no date has been set.

- The calming of the trade dispute saw a risk-on trade, as the sectors that have sold off (industrials, communication services, and financials) were among the top three performing sectors on the week. The worst performers were the bond proxies in consumer staples, REITs, and utilities.

- We kicked off the week with Monday's release of the July durable goods orders report, which showed 2.1 percent growth in orders. This result was better than expectations for 1.2 percent growth; however, much of this outperformance was due to an increase in volatile aircraft orders. The core durable goods figure, which strips out transportation orders, declined by 0.4 percent, against expectations for no growth. Core durable goods orders are seen as a proxy for business confidence for the future of the economy. So, this decline in the core figure is disappointing but not entirely surprising, given the ongoing uncertainty from increasing trade tensions.

- On Tuesday, the Conference Board Consumer Confidence Index was released. The index declined slightly, from 135.7 in July to 135.1 in August, beating expectations for a larger decline to 129. This result was driven by increased optimism about the current economy, as the present situation portion of the index rose to highs last seen in 2000. Expectations for the future declined slightly but still remain high compared with the past few years.

- On Friday, July's personal income and consumer spending reports showed that spending grew by 0.6 percent

General Market News (continued)

in July, against expectations for 0.5 percent growth. This result is in line with the strong retail sales we saw during the month. Income growth was disappointing, coming in at 0.1 percent versus the 0.3 percent growth that was expected. Both income and spending have shown consistent growth this year, so this miss in income is nothing to be concerned about for the time being.

- We finished the week with the second and final release of the University of Michigan consumer sentiment survey. This survey fell from 92.4 midmonth to 89.8 at month-end, even though economists had expected the index to increase slightly. The escalation of the China-U.S. trade war and continued market volatility likely played a part in the decline in confidence. Although both major consumer confidence surveys declined during the month, the good news is that consumers have shown impressive spending growth through most of the year. Hopefully, these declines in confidence will have little effect on August's consumer spending data.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	2.83	0.00	18.34	2.95
Nasdaq Composite	2.74	0.00	20.89	–0.46
DJIA	3.14	0.00	15.14	4.07
MSCI EAFE	0.91	–0.24	10.14	–3.44
MSCI Emerging Markets	1.16	–0.06	4.19	–4.15
Russell 2000	2.46	0.00	11.85	–12.46

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	2.59	9.10	10.17
U.S. Treasury	3.40	8.63	10.38
U.S. Mortgages	0.89	5.53	7.06
Municipal Bond	1.58	7.61	8.72

Source: Morningstar Direct

What to Look Forward To

The week started with Tuesday's release of the Institute for Supply Management (ISM) Manufacturing index. It showed an unexpected decline from 51.2 in July to 49.1 in August. This is a diffusion index, where values above 50 represent expansion and values below 50 represent contraction. August's reading is the lowest reading for the index since January 2016, and it marks the first time the manufacturing sector has experienced a contraction since August 2016. It also marks the fifth straight month of decline for the index, as the slowdown in global trade and the uncertainty created by the ongoing U.S.-China trade war have negatively affected manufacturers.

Speaking of trade, Wednesday will see the release of July's international trade report. It is expected to show the trade deficit shrinking from $55.2 billion in June to $54.3 billion in July. Previously released trade reports showed growth in goods exports rising by more than expected during the month, as well as a decline in goods imports, which led to a narrowing of the goods deficit. This combination of rising exports and declining imports for goods is expected to lead to a narrowed deficit in overall trade.

On Thursday, we'll receive the ISM Nonmanufacturing index for August. Economists expect to see increased confidence for the service sector of the economy, with the index set to increase from 53.7 in July to 54 in August. This survey fell unexpectedly in July to a three-year low, so a rebound would help dispel concerns about lowered business confidence.

Finally, we'll finish the week with Friday's release of the August employment report. Economists expect 168,000 new jobs during the month, which is slightly better than the 164,000 we saw in July. Unemployment is expected to remain unchanged at 3.7 percent. Despite the expected growth in August, job growth remains well below the roughly 225,000 per month rate we averaged in 2018. This will be an important area of the economy to monitor going forward, especially if we continue to see further weakness in employment growth while the Fed considers further interest rate cuts.

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