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Weekly Market Update, April 2, 2018
Presented by **Bruce Cramer**

General market news

- The yield on the 10-year Treasury broke the 2.80-percent level last Wednesday, though it was back down to 2.75 percent early Monday morning. The 30-year broke 3 percent on Friday and opened at 2.98 percent on Monday. The yield curve is the flattest it has been since October 2007. Though we are likely to see continued volatility, the curve is expected to continue to flatten as the Federal Reserve raises shorter-term rates this year.
- The three major U.S. markets recouped some their losses from the past two weeks. Fears of a trade war waned as the *Wall Street Journal* and other media outlets reported that the U.S. and China had been quietly discussing trade issues. The focus of the talks reportedly included ease of Chinese companies accessing U.S. markets, an increase in the number of U.S. semiconductors purchased, and the ability for foreign financial groups to take majority stakes in securities companies. U.S. Trade Representative Robert Lighthizer stated that the tariffs would focus on tech goods, which helped explain the continued lag of the heavily tech-weighted Nasdaq Composite Index. Further affecting the performance of the Nasdaq were comments from President Trump, who stated that Amazon pays little or no state and local taxes and that he's tired of the USPS operating as the firm's "delivery boy."
- Last week saw a number of important economic data releases. On Tuesday, the Conference Board Consumer Confidence Index declined slightly from its 18-year high in February. Confidence remains well above average, however, and is not a current concern.
- On Wednesday, the final estimate of fourth-quarter gross domestic product growth was revised upward to 2.9 percent annualized from 2.7 percent. Much of this was driven by strong consumption growth that, at 4 percent, beat expectations.
- On Thursday, February's personal income and spending data came in as expected. Both measures grew modestly, with 0.4-percent month-over-month growth in income. Also on Thursday, the University of Michigan consumer sentiment survey declined slightly to 101.4 from 102. As was the case with the Conference Board's index, this measure of consumer confidence still sits near multiyear highs.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.05%	0.00%	–0.76%	13.73%
Nasdaq Composite	1.03%	0.00%	2.59%	20.71%
DJIA	2.42%	0.00%	–1.96%	19.02%
MSCI EAFE	1.08%	0.00%	–1.41%	14.77%
MSCI Emerging Markets	–0.01%	0.00%	1.47%	23.94%
Russell 2000	1.35%	0.00%	–0.08%	12.08%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.64%	–1.46%	1.34%
U.S. Treasury	0.94%	–1.18%	0.54%
U.S. Mortgages	0.64%	–1.19%	1.02%
Municipal Bond	0.37%	–1.11%	2.61%

Source: Morningstar Direct

What to look forward to

This will be a busy week for economic news, and it starts with the major business surveys.

On Monday, the Institute for Supply Management (ISM) Manufacturing survey is expected to drop slightly, from an extremely strong 60.8 in February to 60.0 for March. The February result was the highest in almost 14 years, and a small pullback would still leave the survey at a very high level. This is a diffusion index, where numbers above 50 indicate expansion, so anything close to the expected result would show strong expansion.

On Wednesday, the ISM Nonmanufacturing survey is also expected to pull back slightly. The February result of 59.5 is expected to tick down to 59.0, which is not quite as good as the Manufacturing survey, but still indicative of strong growth. Between the two results, business looks to continue as a positive force for the economy.

On Thursday, the international trade report is expected to show a small worsening of the trade deficit, from $56.6 billion in January to $56.8 billion in February. Exports have rebounded while import growth has moderated, but one-time factors are likely to pull down the final result. Trade is anticipated to be a drag on growth in the first quarter, but the numbers do seem to be improving overall.

Finally, on Friday, we'll see the employment report. It is expected to show that job growth moderated significantly, down from 313,000 in February to 189,000 in March. The February number was much higher than expected, so even with a pullback, the employment market would be in good shape. There may be some upside potential here, as the flu epidemic may have slowed job growth in February. The unemployment rate is expected to drop from 4.1 percent to 4 percent, while wage growth is expected to rise by 0.2 percent on a monthly basis and 2.8 percent on an annual basis. Overall, if the numbers come in as expected, this would be a healthy report.

*****Please click the following link!!***** https://vimeo.com/258303461

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