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Weekly Market Update, April 30, 2018
Presented by **Bruce Cramer**

General market news

- The 10-year Treasury yield briefly broke above 3 percent late last week, reaching 3.033 percent. The 30-year opened Monday at 3.13 percent, after being as high as 3.21 percent last week and below 3 percent a little over a week ago. The 2-year continued its steady climb, reaching 2.50 percent last week, which is double its yield from September 2017. The yield curve remains at its flattest level since 2007, with the difference in yield between the 2-year and the 30-year at just 63 basis points (0.63 percent).
- U.S. markets were down modestly on the week. Company earnings were the main driver of market action. Stocks sank on Tuesday following guidance from Caterpillar (CAT) that it expects this quarter to be the “high water mark” for earnings this year. The second half of the week was more optimistic, as Chipotle (CMG), Amazon (AMZN), and Facebook (FB) all posted strong earnings numbers.
- FactSet is projecting a quarterly earnings growth rate of 23.2 percent for the S&P 500 Index—the highest level since the third quarter of 2008. This week will include another slew of reports, including Apple (AAPL), Alibaba (BABA), and Pfizer (PFE). It will be interesting to see what these remaining firms will provide in terms of future earnings guidance and expectations.
- Turning to economic news, last week was busy, and the results were largely better than anticipated. On Monday, existing home sales came in higher than expected with 1.1-percent monthly growth. This was followed by the release of new home sales on Tuesday. Here, sales grew 4 percent, against expectations for 1.9-percent growth.
- On Thursday, durable goods orders grew 2.6 percent, beating expectations for 1.6-percent growth. This proxy for business confidence has shown solid growth so far this year.
- On Friday, the first estimate of first-quarter gross domestic product (GDP) growth also beat expectations. GDP grew by 2.3 percent to start the year, beating expectations for 2-percent growth, despite a dramatic decline in consumption growth. Given the strong employment market and high consumer confidence, this slowdown in consumption is unlikely to persist for the rest of the year.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.00%	1.21%	0.44%	13.98%
Nasdaq Composite	–0.36%	0.83%	3.44%	18.95%
DJIA	–0.62%	0.96%	–1.03%	18.59%
MSCI EAFE	–0.21%	2.32%	0.87%	14.87%
MSCI Emerging Markets	–1.01%	–1.13%	0.32%	21.07%
Russell 2000	–0.49%	1.80%	1.72%	11.25%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.84%	–2.29%	–0.42%
U.S. Treasury	–0.94%	–2.11%	–1.21%
U.S. Mortgages	–0.57%	–1.75%	–0.45%
Municipal Bond	–0.45%	–1.56%	1.46%

Source: Morningstar Direct

What to look forward to

This will be a busy week for economic news, giving us a look at all major sectors. Wrapping things up will be the most important report of the month: employment.

Monday’s personal income and spending report remained strong, with income growth coming in at 0.3 percent for March, the same as the downwardly revised number for February. This was below expectations for 0.4-percent growth and is likely due to slower-than-expected job growth last month. Personal spending growth improved as expected, from a downwardly revised flat level in February to 0.4-percent growth in March, on rising auto sales and utility spending. This is helpful after a first-quarter slowdown in consumer spending and reflects continued high confidence.

On Tuesday, the Institute for Supply Management (ISM) Manufacturing survey is expected to weaken from 59.3 in March to 58.5 in April. This would still be a strongly expansionary level, though. (Values above 50 indicate expansion.) The weak U.S. dollar has continued to benefit this survey, although tariff worries may have a negative effect.

On Thursday, the international trade report is expected to show that the trade deficit narrowed, from $57.6 billion to $55.6 billion, as import growth slowed and export growth rose. Growth abroad and the weaker dollar are likely to keep export growth going, which should be constructive for the economy as a whole.

Thursday’s ISM Nonmanufacturing survey is also expected to weaken, from 58.8 in March to 58.0 in April. As with the Manufacturing survey, this is a strongly expansionary level and would indicate that economic momentum continues into the second quarter.

Finally, on Friday, the employment report is expected to show that job growth rebounded strongly, from 103,000 in March to 185,000 in April. This growth should push the unemployment rate down from 4.1 percent in March to 4 percent in April. Wage growth, meanwhile, is expected to tick down from 0.3 percent to 0.2 percent. These numbers would indicate continued job growth, albeit at a slightly slower pace, and would normalize the variance of the past two months.

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