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Weekly Market Update, July 23, 2018 Bruce & Dawn Cramer

General Market News

- The long end of the Treasury yield curve rose last week. The 10-year Treasury note opened at 2.89 percent on Monday, while the 30-year Treasury bond started at 3.03 percent. These are the highest yields for the long end of the curve in nearly a month.
- U.S. markets were mostly flat last week, behind mixed sector performance. Financials led the way, up more than 2 percent on the week, and banks saw strong loan pipelines. The news headlines didn't have much to offer, as both trade talks and Chair Powell's testimony before Congress didn't signal any definitive direction for the market.
- On the other side of earnings was Netflix, which was down more than 8 percent after missing second-quarter subscriber growth and guidance. With 17 percent of the companies in the S&P 500 reporting earnings, FactSet's blended growth rate for second-quarter earnings per share came in just under 21 percent. The week ahead will be a busy one for earnings, with Alphabet (GOOG/GOOGL), Facebook (FB), and Amazon (AMZN) all reporting.
- Last week was a quiet one for economic news. On Monday, June's retail sales figures came in strong, with 0.5-percent month-over-month growth. The core figure was encouraging as well, showing 0.3-percent growth.
- On Tuesday, the National Association of Home Builders Housing Market Index remained unchanged at 68. While this result did not meet expectations for a modest increase, it still represents a high level of overall confidence.
- On Wednesday, both housing starts and building permits declined. Permits were down 2.2 percent, and starts dropped by 12.3 percent. Given the higher costs of labor and materials, these declines were not unexpected, but the magnitude of the drops is concerning. This will be an important area of the economy to watch going forward.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.04%	3.17%	5.90%	15.48%
Nasdaq Composite	-0.07%	4.15%	13.91%	23.72%
DJIA	0.20%	3.36%	2.61%	18.61%
MSCI EAFE	0.63%	1.37%	-1.03%	5.78%
MSCI Emerging Markets	-0.44%	0.57%	-5.98%	3.64%
Russell 2000	0.58%	3.31%	11.23%	19.13%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.15%	-1.47%	-0.89%
U.S. Treasury	-0.12%	-1.19%	-1.24%
U.S. Mortgages	0.11%	-0.84%	-0.24%
Municipal Bond	0.42%	0.17%	1.12%

Source: Morningstar Direct

What to look forward to

We'll see a wide range of data released this week, starting with housing. On Monday, the existing home sales report came in weak. Sales dropped from a downwardly revised 5.41 million (annualized) in May to 5.38 million in June, well below the expected 5.48 million. Affordability is declining, which may be starting to affect demand. On Wednesday, the new home sales report is expected to show a decrease from 689,000 in May to 670,000 in June (annualized) on continued shortages of supply. After the sector's weak report last week, these releases will provide a further look into whether housing is, in fact, rolling over.

On Thursday, the durable goods orders report is expected to show a swing from a decline of 0.4 percent in May to a gain of 2 percent in June. While this result would be positive, it would be primarily due to a surge in aircraft orders, making it less reliable as an economic indicator. The core orders, however, which exclude transportation, should also improve; a gain of 0.4 percent in June is expected, after a flat report in May. Manufacturing and industrial companies continue to benefit from both business investments here in the U.S. and stronger demand abroad.

On Friday, the first official estimate of second-quarter gross domestic product is expected to show rising growth, from 2 percent in the first quarter to 4 percent in the second quarter. This result would be due to increased consumer spending and exports, particularly from a surge in soybean exports to China. There may be some upside here as well, depending on the growth of imports. A strong second quarter has been anticipated for some time. So if the report comes in solid, it will simply meet expectations.

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