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Weekly Market Update, March 26, 2018
Presented by **Dawn Cramer**

General market news

- The 10-year Treasury opened at 2.81 percent this week, slightly lower than last Monday's open. In fact, this yield is at the low end of the range the 10-year has been trading in for the past month. The 30-year also opened lower, at 3.07 percent.
- The markets were unable to find their footing last week, as all three major U.S. indices declined by more than 5.5 percent. News that Cambridge Analytica, a political data firm, accessed the private information of more than 50 million Facebook users led to a sharp sell-off in Facebook stock. The stock's significant weighting in the S&P 500 Index (it's the fourth largest) and broad social media data concerns weighed heavily on the technology sector.
- Tariffs continued to grab headlines last week, as President Trump announced between $50 and $60 billion in trade tariffs on China. China's response was swift, as the country announced its own tariffs of approximately $3 billion on U.S. steel, aluminum, pork, fruit, and wine. The actions led to concerns of a full-fledged trade war between the U.S. and China. On a positive note, the number of countries exempt from the U.S.'s proposed steel and aluminum tariffs has continued to grow. This trend will be one to monitor, as it provides an indication of the legitimacy of the proposed tariffs.
- Last week was a busy one for economic data. On Wednesday, existing home sales increased by more than expected in February, gaining 3 percent on a month-over-month basis. This increase was welcome, following declines in December and January.
- Also on Wednesday, the Federal Open Market Committee raised the upper limit of the federal funds rate from 1.50 percent to 1.75 percent. This was the first rate hike under new Chair Jerome Powell. Economists expect two to three more hikes this year.
- Finally, on Friday, February durable goods orders beat expectations, rising 3.1 percent against expectations for a 1.6-percent gain. This was a positive surprise, as business investment slowed in December and January. Given the high level of business confidence, this growth was welcome.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–5.93%	–4.50%	–2.76%	12.52%
Nasdaq Composite	–6.53%	–3.78%	1.54%	21.49%
DJIA	–5.67%	–5.87%	–4.28%	16.61%
MSCI EAFE	–2.57%	–2.73%	–2.46%	14.47%
MSCI Emerging Markets	–3.35%	–1.82%	1.48%	24.23%
Russell 2000	–4.77%	–0.05%	–1.41%	13.03%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.12%	–1.97%	0.74%
U.S. Treasury	0.44%	–1.67%	–0.05%
U.S. Mortgages	0.25%	–1.57%	0.52%
Municipal Bond	0.11%	–1.37%	2.59%

Source: Morningstar Direct

What to look forward to

There are only two major economic reports this week, but each will give us a look at the all-important consumer.

On Tuesday, the Conference Board will release its Consumer Confidence Index. The index is expected to rise from 130.8 in February to 131 in March, as the effects of the tax cuts continue to show up in paychecks. Although recent stock market turbulence may weaken confidence eventually, this survey was taken before last week's declines, so it should not be affected. If the number comes in as expected, this would be a positive signal for the economy.

On Thursday, the personal income and spending report will be released. Personal income growth is expected to remain steady at a strong 0.4 percent for February, supported by continued employment growth and slow but steady wage growth. Personal spending growth is expected to tick down from 0.2 percent in January to 0.1 percent for February. Any decline would be due to a weather-related drop in utilities spending and a decline in gas prices, making this number better than it seems.

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Disclosures: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million.*

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