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Weekly Market Update, April 16, 2018

Presented by **Dawn Cramer**

General market news

- After spending the better part of the past two weeks below 2.80 percent, the 10-year Treasury bounced back and opened Monday at 2.86 percent. The 30-year opened at 3.06 percent, and the 2-year was at 2.38 percent. The yield curve hasn't been this flat since 2007.
- U.S. markets were up across the board last week, as protectionism concerns waned and the Federal Open Market Committee expressed positive economic sentiment in its meeting minutes. A number of events supported free trade, including Chinese President Xi Jinping's speech at the Boao Forum, during which he vowed to further open his country's markets. In addition, there was news out of the White House about a possible NAFTA deal. President Trump also expressed interest in potentially rejoining the Trans-Pacific Partnership, an 11-nation free trade deal.
- The week was not without volatility, however, as we waited to see if and when the U.S., U.K., and France would strike at supposed chemical weapons facilities in Syria. Prices for West Texas Intermediate rose more than 8 percent on the news. Unsurprisingly, the energy sector posted the largest gain on the week. Technology followed, as investors reacted favorably to Mark Zuckerberg's testimony before Congress. The bond proxies in the utilities, REIT, and telecom sectors were among the worst performers.
- Last week was relatively quiet in terms of economic news. On Tuesday, the Producer Price Index came in higher than expected, with a 0.3-percent monthly gain. This put year-over-year growth at 3 percent.
- On Wednesday, the Consumer Price Index showed a 2.4-percent year-over-year increase, which was a step up from last month's reading of 2.2 percent. Given the healthy employment market, the Fed will keep a close eye on inflation as it determines when to hike rates again this year.
- Finally, on Friday, the University of Michigan consumer sentiment survey came in below expectations, declining to 97.8 in April. This is down from March's level of 101.4, but it is still a very strong reading historically.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.04%	0.66%	-0.10%	16.32%
Nasdaq Composite	2.77%	0.64%	3.24%	23.73%
DJIA	1.80%	1.12%	-0.87%	21.90%
MSCI EAFE	1.49%	2.17%	0.56%	18.32%
MSCI Emerging Markets	0.74%	0.14%	1.47%	24.70%
Russell 2000	2.41%	1.34%	1.26%	16.69%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.23%	–1.69%	0.04%
U.S. Treasury	–0.41%	–1.58%	–0.91%
U.S. Mortgages	–0.17%	–1.37%	–0.19%
Municipal Bond	0.16%	–0.95%	2.02%

Source: Morningstar Direct

What to look forward to

This will be a busy week for economic news. Reports will give us a look at consumer spending, the housing market, and industrial production and manufacturing. In other words, we'll get an update on the entire economy.

The retail sales report, released on Monday, beat expectations, showing a gain of 0.6 percent in March. Economists had expected sales to grow by 0.4 percent. A rebound in auto sales and another increase in Internet sales helped push up the result. Core retail sales, which exclude autos, also improved over February, growing by 0.3 percent in March. These numbers are healthy and show that consumers are continuing to spend.

Also on Monday, the National Association of Home Builders survey dropped from a strong 70 to 69, which is still healthy and positive for the industry. Housing starts, released on Tuesday, are expected to rise from 1.24 million in February to 1.27 million in March. After volatility in both multifamily and single-family sectors in recent months, this would be a positive development. Overall, demand remains strong, although supply is constrained, especially for existing homes.

Industrial production growth, also released on Tuesday, is expected to moderate from an unsustainable 0.9 percent in February to a still healthy 0.3 percent in March. This variance includes substantial weather-driven swings in utility production. Manufacturing output, which is a better economic indicator, is also expected to decline, largely driven by oil and gas production, from 1.3-percent growth in February to a still healthy 0.4 percent for March. There may be some downside risk here, based on a decline in hours worked and February's strong result.

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