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Weekly Market Update, April 23, 2018

Presented by **Dawn Cramer**

General market news

- Yields for intermediate and long-term Treasuries continued to rise last week. The 10-year yield opened Monday at 2.97 percent, putting it within striking distance of 3 percent, a level it hasn't seen since late 2013. The 30-year yield also increased, starting the week at 3.15 percent.
- U.S. equity markets were up modestly last week. The Nasdaq Composite led the way with a gain of 0.56 percent. The S&P 500 Index and Dow Jones Industrial Average trailed just behind at 0.54 percent and 0.46 percent, respectively. As volatility-inducing headlines—including trade policy and geopolitical tensions in Syria—disappeared (at least for the time being), the focus turned to the first major week of earnings.
- Expectations appear to be high. Similar to other banks, Goldman Sachs reported strong earnings, along with revenue that increased more than 31 percent. Earnings were up more than 20 percent over consensus, coming in at $6.95 per share for the quarter. The spike was helped by an 85-percent increase in trading revenue over the prior quarter. The stock sold off following the results. Other sectors, such as industrials, didn't face the same scrutiny. Investors reacted favorably to General Electric, for example, as the company works to turn itself around. It will be interesting to see if the reaction to earnings news will continue to be sector specific or if investors will decide that the bar has been raised for the market as whole.
- Last week was a busy one for economic news, with a focus on housing and consumers. On Monday, retail sales for March beat expectations by growing 0.6 percent. This data helps put aside concerns following a surprise decline in February.
- Also on Monday, the National Association of Home Builders Housing Market Index dropped slightly, from 70 in March down to 69. This is still a very solid number and indicates that homebuilders remain confident in the economy.
- On Tuesday, high homebuilder confidence translated to growth in both housing starts and building permits. Both of these indicators of future supply declined in February, so the uptick in housing activity is a good sign.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.54%	1.21%	0.44%	15.59%
Nasdaq Composite	0.56%	1.20%	3.82%	22.07%
DJIA	0.46%	1.59%	–0.41%	21.66%
MSCI EAFE	0.53%	2.54%	1.09%	18.64%
MSCI Emerging Markets	–0.13%	–0.13%	1.34%	25.08%
Russell 2000	0.95%	2.31%	2.22%	14.48%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.85	–2.30	–0.58
U.S. Treasury	–1.01	–2.18	–1.54
U.S. Mortgages	–0.61	–1.80	–0.58
Municipal Bond	–0.10	–1.21	1.44

Source: Morningstar Direct

What to look forward to

This week's economic news starts with housing. Monday's existing home sales report came in better than expected. It showed that sales rose from 5.54 million in February to 5.6 million in March, continuing the recovery from a disappointing January. On Tuesday, new home sales are also expected to rise, from 618,000 to 625,000. Again, this would be a partial recovery from a significant drop late last year. If the numbers come in as expected, they would indicate a continued recovery in housing to its previous growth level.

Also on Tuesday, the Conference Board's survey of consumer confidence is expected to drop again, from 127.7 to 126.0. Although this is still a very high level, confidence has been declining slowly from its recent decade-plus high. There also may be some downside risk to this number, given rising gas prices and recent stock market turbulence.

On Thursday, the durable goods orders report is expected to show a slowdown in growth from a very strong 3 percent in February to a still strong 1.1 percent in March, supported by rising aircraft orders and motor vehicle sales. Core orders, which exclude transportation, are expected to slow from 1-percent growth in February to 0.4-percent growth in March. These numbers would represent a full recovery from January's decline. Further, they would indicate that business investment, although slowing, continues to expand.

Finally, on Friday, we'll see the first estimate of gross domestic product growth for the first quarter. Growth is expected to drop from 2.9 percent in the last quarter of 2017 to 2.1 percent for the first quarter of 2018 due to slower increases in household spending and business investment. It's possible that remaining seasonal effects could push the number down even more, as has happened in the past, which would suggest faster growth ahead.

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