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Weekly Market Update, June 25, 2018

Presented by **Dawn Cramer**

General Market News

- Rates traded in a range over the past week, following the Federal Reserve (Fed) meeting in the previous week. The 10-year Treasury yield was as low as 2.85 percent and as high as 2.95 percent last week; it opened early Monday morning at 2.86 percent. The 30-year opened at 3.03 percent and the 2-year at 2.54 percent. More important, however, is the steepness of the yield curve. With a difference in yield of only 49 basis points between the 2-year and 30-year, it seems investors are not on the same page with the Fed's projected growth over the next year.
- U.S. markets were mostly down in the past week, with the exception of the Russell 2000 small-cap index. The trade tensions between the U.S. and China continued to weigh on the major indices, with the Trump administration initially proposing a 10-percent tariff on another $200 billion worth of Chinese goods. Later in the week, the administration threatened to impose a tariff on a total number of Chinese goods up to $450 billion. Other news affecting the markets included a *Wall Street Journal* article titled, "Don't Fight the Fed's Balance Sheet Taper." It suggested that the Fed's balance sheet wind down is weighing on international government bond markets and risky global assets.
- Top-performing sectors of the week included real estate, utilities, and energy. Those that were among the worst performers included industrials, materials, and financials.
- Last week was relatively quiet on the economic news front. On Monday, the National Association of Home Builders Housing Market Index declined slightly, as rising labor and timber costs weighed on home builder sentiment.
- On Tuesday, housing starts and building permits were mixed; there were more starts than expected, but permits declined by 4.6 percent. Given the low supply of new homes in the country, these will be important data points to monitor.
- Finally, on Wednesday, existing home sales disappointed by declining slightly against expectations for 1.1-percent growth. Housing growth positively contributes to the U.S. economy, so the health of the housing market is worth watching.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–0.87%	1.95%	4.00%	15.38%
Nasdaq Composite	–0.68%	3.42%	12.02%	24.71%
DJIA	–2.03%	0.78%	0.54%	17.53%
MSCI EAFE	–0.95%	–0.16%	–1.38%	8.44%
MSCI Emerging Markets	–2.26%	–2.72%	–5.22%	10.60%
Russell 2000	0.11%	3.26%	10.39%	21.54%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.47%	–1.95%	–1.31%
U.S. Treasury	–0.34%	–1.43%	–1.68%
U.S. Mortgages	–0.30%	–1.30%	–0.64%
Municipal Bond	–0.05%	–0.38%	0.89%

Source: Morningstar Direct

What to look forward to

Housing kicks off the week with the new home sales report, which came in better than expected on Monday morning. The annualized monthly sales were up to 689,000 in May from 662,000 in April, substantially beating the expected 667,000 figure. This increased activity suggests housing demand remains healthy.

On Tuesday, the Conference Board will release its consumer confidence survey. It is expected to pull back slightly, from 128 to 127.5, which would still be a very high level. Should the number come in as anticipated, it would indicate that consumer demand is likely to keep growing.

On Wednesday, the durable goods orders report should give the same indicator for business investment. The headline index, which includes transportation and is heavily influenced by aircraft orders, is expected to improve slightly from a very weak decline of 1.6 percent in April to a still weak decline of 1 percent for May, largely on trends in aircraft orders. This volatility is normal for this data series. The core index, which excludes transportation, is expected to do much better, pulling back from monthly growth of 0.9 percent in April to 0.5 percent in May. This result would still be healthy and a good indicator of future growth.

On Friday, the personal income and spending report will give further insight into the consumer. Personal income growth is expected to rise from 0.3 percent in April to 0.4 percent in May. Personal spending growth, on the other hand, is expected to drop back from 0.6 percent in April to a still healthy 0.4 percent in May. We already know that retail spending growth was strong in May, but weaker auto sales may pull the overall figure back a bit. The match in income and spending growth is a good sign for the sustainability of this level of growth.

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