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Weekly Market Update, June 4, 2018
Presented by **Dawn Cramer**

General Market News

- The 10-year Treasury yield opened at 2.90 percent on Monday morning. This result was up from last week's low of 2.75 percent, but it was well below the recent high of 3.12 percent. Meanwhile, the 30-year opened at 3.05 percent and the 2-year at 2.48 percent. Uncertainty with trade policy is causing some concerns globally and is pushing the yield curve flatter.
- The three major U.S. markets were mixed last week. The Nasdaq Composite led the way. It was up 1.65 percent as FANG stocks (i.e., Facebook, Amazon, Netflix, and Google) helped bolster index performance. Energy also fared well, recovering from its sell-off in the week prior.
- Some of the mixed results were due to the geopolitical tensions that continue to grab the headlines. Trade tensions flared up yet again, as the U.S. announced plans to move forward with its efforts to restrict intellectual property. This will be carried out via investment restrictions, World Trade Organization litigation, and $50 billion in tariffs on Chinese products. In addition, there was news that the U.S. will impose 25-percent tariffs on imports from the European Union (EU), Canada, and Mexico. Italy also saw its fair share of political tension; Italian President Mattarella rejected the Five Star Movement and Lega parties' choice for finance minister. He made this rejection over concerns that the government could push to exit the EU. The coalition deal by the Five Star and Lega parties was ultimately revised, but it did not include their selection, Paolo Savona, as finance minister.
- Last week was a relatively strong one in terms of economic news. On Tuesday, the Conference Board Consumer Confidence Index rose to 128, which is one of the highest levels seen in the past 18 years.
- On Wednesday, the second estimate of first-quarter gross domestic product growth declined modestly to 2.2 percent on an annualized basis. While the decline is disappointing, growth is still expected to pick up markedly in the second quarter.
- Finally, on Friday, the May employment report came in better than expected, with 223,000 new jobs added against expectations for 190,000. The underlying data was solid as well, with the unemployment rate falling to 3.8 percent and average hourly earnings increasing to 2.7 percent on a year-over-year basis.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.54%	1.10%	3.14%	14.75%
Nasdaq Composite	1.65%	1.51%	9.95%	22.22%
DJIA	–0.38%	0.93%	0.69%	19.21%
MSCI EAFE	–0.97%	0.32%	–0.87%	8.55%
MSCI Emerging Markets	–0.51%	0.86%	–1.67%	15.04%
Russell 2000	1.32%	0.88%	7.84%	19.57%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.36%	–1.85%	–0.92%
U.S. Treasury	–0.39%	–1.49%	–1.44%
U.S. Mortgages	–0.29%	–1.29%	–0.65%
Municipal Bond	–0.08%	–0.41%	0.91%

Source: Morningstar Direct

What to look forward to

We will see two major economic news releases this week.

On Tuesday, the Institute for Supply Management Nonmanufacturing index is expected to rise slightly, from 56.8 in April to 57.8 for May. This is a diffusion index, where values above 50 indicate expansion. As such, the rise would mean that an already robust service sector is getting even stronger. After a slow start to the year, services now appear to be accelerating, with healthy retail sales growth and regional surveys suggesting that continues. This improvement could mean that overall economic growth in the second quarter should be higher than that of the first quarter.

On Wednesday, the international trade report should worsen slightly, with the trade deficit dropping from $49 billion in March to $50.5 billion in April. There may be some upside risk here, however, as the advance goods trade report showed that deficit had narrowed a bit. With the dollar weaker than it was a year ago, exports still have a tailwind, but recent U.S. tariff policy may have started to slow export growth. In any event, trade should be roughly neutral for the economy as a whole in the second quarter, with any contribution being small.

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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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