Weekly Market Update

General Market News

- Treasuries moved lower last week. The 10-year Treasury reached 2.35 percent last Thursday, and it opened at 2.39 percent early Monday. The 30-year Treasury was as low as 2.80 percent last week and opened at 2.82 percent on Monday. The 2-year Treasury reached a low of 2.13 percent and opened at 2.20 percent on Monday; it was as high as 2.41 percent in mid-April. Treasury yields as far out as 12 years are now trading below the upper bound of the current Federal Reserve (Fed) funds rate.

- Global markets continued to sell off last week as U.S.-China trade tensions escalated. China announced its retaliatory tariffs after the U.S. upped its tariffs from 10 percent to 25 percent. On Thursday, the Trump administration announced that it had banned the sale of equipment and software to Huawei, one of China's largest technology firms. At this point, there is no additional news regarding additional trade talks between the two countries prior to the G20 Summit. There was, however, some constructive trade discussion, with the U.S., China, and Mexico announcing an agreement on steel and aluminum tariffs as they hope to reach a new NAFTA deal this year.

- Amid global growth fears, investors flocked to bond proxies in REITs, utilities, and consumer staples, which were the three top-performing sectors. The worst-performing sectors were made up of the more cyclical ones, such as financials, industrials, and consumer discretionary.

- Last week saw the release of a number of important economic updates. On Wednesday, April's retail sales figures disappointed, declining 0.2 percent during the month. This decline was caused primarily by a drop in car sales, as the core retail sales figure, which strips out autos, rose modestly.

- Also on Wednesday, the National Association of Home Builders Housing Market Index was released. This gauge of homebuilder optimism hit a 7-month high, rising from 63 to 66.

- On Thursday, both housing starts and building permits grew by more than expected, as homebuilders ramped up production in April.

- On Friday, the University of Michigan consumer sentiment survey rose by more than expected, moving from 97.2 to 102.4. This reading is a 15-year high for the index.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–0.69	–2.76	14.98	7.25
Nasdaq Composite	–0.61	–3.33	11.49	6.66
DJIA	–2.32	–2.87	14.45	–4.20
MSCI EAFE	–0.72	–2.41	17.94	10.01
MSCI Emerging Markets	–0.78	–7.58	12.70	3.89
Russell 2000	0.23	–3.40	10.61	–5.80

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.58	3.57	6.72
U.S. Treasury	0.76	2.60	6.37
U.S. Mortgages	0.58	3.57	6.72
Municipal Bond	0.92	4.24	6.83

Source: Morningstar Direct

What to Look Forward To

This is a moderately busy week for economic reports, with a focus on the housing market, news from the Fed, and trends in business investment.

The week starts on Tuesday with the existing home sales report. It is expected to show that sales rose from 5.21 million in March to 5.34 million in April on an annualized basis. Housing has been in a slump recently, so an acceleration would be good news.

On Wednesday, the minutes from the last meeting of the Federal Open Market Committee will be released. The meeting itself was uneventful, with no action taken on interest rates (as expected) and no real changes in the statement. Markets will be looking at the minutes to find out how worried the Fed is about inflation being too low, which is a rising concern.

On Thursday, the new home sales report is expected to pull back from 692,000 in March, which was an unexpected jump, to 677,000 for April, which is more in line with previous months. If the numbers come in as expected, this could indicate that housing is stabilizing.

Finally, on Friday, we'll see the durable goods orders report. The headline index is expected to show a significant swing, dropping from a 2.8 percent increase in March to a 2 percent decrease for April

What to Look Forward To (continued)

due to a drop in aircraft orders. This is a highly volatile number, and a swing like this is not unusual. The core index, which excludes transportation and is a much better economic indicator, is expected to hold steady at 0.2 percent growth for April, as it did for March. If the numbers come in as expected, it would suggest that business investment continues to grow at current levels, which would be positive.

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. Rev. 05/19.

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