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Weekly Market Update, April 29, 2019
***Presented by* Bruce & Dawn Cramer**

General market news

- Rates moved lower last week, as the 10-year Treasury hit a high of 2.61 percent the previous week, moved to as low as 2.49 percent late last week, and opened at 2.52 percent early Monday. The curve remains flat and inverted on the short end. Continued volatility is expected in the weeks and months ahead.
- Both the S&P 500 and the Nasdaq Composite hit all-time highs last week. Further, we moved deeper into earning season; thus far, the numbers do not appear to be as bad as initially feared. FactSet has reported that 77 percent of firms that have reported have beaten their consensus EPS estimates. Still, those that have missed the mark have been punished, with Intel (INTC), 3M (MMM), Tesla (TSLA), and UPS (UPS) all falling at least upper single digits. Those that fared well included Microsoft (MSFT), eBay (EBAY), and Ford (F).
- We did see a few themes play out, including auto weakness and headwinds from Europe and China. It will be interesting to see if these themes continue throughout the quarter and if the stimulus in both regions will aid a rebound going forward.
- Last week saw the release of a large number of important economic updates, many of which came in better than expected. The week began with the release of March's existing home sales data, which declined by 4.9 percent. Although this decline was larger than expected, existing home sales in February grew by more than 11 percent, so this could be just a brief pullback.
- On Tuesday, new home sales came in much better than existing home sales, with 4.5-percent month-over-month growth. This was against expectations for a 2.7-percent decline, so it was a pleasant surprise for economists.
- On Thursday, March's durable goods orders also handily beat expectations, with 2.7-percent growth against projections for a more modest 0.8 percent.
- Finally, on Friday, the first estimate of first-quarter gross domestic product was released. The economy grew at an annualized rate of 3.2 percent in the first quarter, far surpassing economist expectations for 2.3-percent growth. The key factors that led to this outsize growth were higher-than-expected exports and an increase in inventories. These two factors alone contributed to more than half of the growth in the first quarter and are unlikely to continue for the rest of the year.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.21%	3.83%	18.00%	12.46%
Nasdaq Composite	1.86%	5.43%	23.15%	15.69%
DJIA	–0.06%	2.47%	14.57%	11.68%
MSCI EAFE	–0.15%	2.52%	12.91%	–2.68%
MSCI Emerging Markets	–1.30%	2.00%	12.15%	–3.11%
Russell 2000	1.67%	3.43%	18.51%	3.58%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.02%	2.97%	5.62%
U.S. Treasury	–0.30%	1.80%	5.11%
U.S. Mortgages	–0.01%	2.15%	5.22%
Municipal Bond	0.30%	3.20%	6.26%

Source: Morningstar Direct

What to look forward to

This week is a very busy one for economic data, with a number of key reports. It starts on Monday, with the personal income and spending reports. We should see accelerating growth in income, up from a gain of 0.2 percent for February to 0.4 percent for March, on faster wage growth. Faster income growth would be a positive sign. The personal spending report will be a bit different than usual, as both February and March figures will be published at the same time in a final catchup from the government shutdown. February spending growth is expected to come in at 0.1 percent, while March is expected to be much stronger at 0.7 percent on the recent strong retail sales report. These results would signal faster consumption growth after a slowdown in the first quarter. If the numbers come in as expected, the rebound would be consistent with renewed confidence and would be a positive sign.

On Tuesday, the Institute for Supply Management (ISM) Manufacturing index is expected to pull back slightly, from 55.3 for March to 55 for April. This is a nominal decline and would suggest that a slowdown in global demand has not yet significantly damaged the U.S. manufacturing sector. Plus, there may be some upside here as global conditions seem to be improving. This is a diffusion index, where values above 50 indicate expansion and below 50 indicate contraction. So, this would be a reasonably healthy figure, suggesting continued growth.

Also on Tuesday, the Conference Board's survey of consumer confidence is expected to show that confidence rose from 124.1 in March to 126.1 in April. This rise would signal the rebound from the drop after the government shutdown continues, which would be positive. But there may be some downside risk on the recent rise in fuel prices, which historically has hurt confidence levels.

On Wednesday, the Federal Open Market Committee will conclude its regular policy meeting with a statement and press conference. No meaningful action is expected from this meeting, but markets will be watching for hints about whether the Federal Reserve's concerns about the economy may lead to rate cuts.

On Friday, the ISM Nonmanufacturing index is expected to increase slightly, from 56.1 in March to 57.2, on strong domestic demand for services. This is a diffusion index, where values above 50 indicate expansion and below 50 indicate contraction. So, this would be a very healthy figure, suggesting continued growth.

Finally, on Friday, the employment report is expected to show that job growth pulled back slightly from 196,000 for March to 181,000 in April. There may be some downside risk here, which could pull the shorter-term averages down further and indicate job growth is finally slowing. The unemployment rate is expected to hold steady at 3.8 percent. Wage growth is expected to pick up from 0.1 percent to 0.3 percent, which would take annual growth from 3.2 percent to 3.3 percent. If the numbers come in as expected, it will provide more assurance that despite recent weakness, the economic fundamentals remain sound.

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