

June 17, 2019

Second Weekly Rebound

June 10-14, 2019 Recap

- **Equities Climb Last Week.** U.S. stocks ended lower on Friday on speculation that broad gains in retail sales may lessen odds for a Fed rate cut; but in the face of successive overly tame inflation reports, equities posted small gains for the week. Global growth worries continued after China reported its slowest pace of industrial production in 17 years in May. Meanwhile, rising tensions in the Middle East added to concerns for growth and trade.
- **Weekly Performance.** For the week, the Dow Industrials rose 0.41%, the S&P 500 gained 0.53%, climbing to within 2% of its April 30 record high; while the tech-heavy Nasdaq Composite advanced 0.73%.
- **Retail Sales Back to Trend.** U.S. retail sales rose 0.5% in May, and April's originally reported a 0.2% sales decline was upwardly revised to a 0.3% increase. The data now shows retail sales have grown for three straight months and puts consumer consumption back to trend levels that have existed an entire decade.
- **Consumer Discretionary Performed Best.** Eight of the 11 major sectors ended positive last week, led by Consumer Discretionary (+2.46%), Communication Services (+1.40%) and Utilities (+1.24%). Energy (-0.47%), Industrials (-0.43%) and Technology (-0.17%) lagged.
- **Treasurys End Mixed.** Treasury prices ended mixed on Friday, with the yield on two-year Treasury notes rising fractionally to 1.84% and the yield on benchmark 10-year notes slipped 1.5 basis points to 2.08%. The U.S. Dollar Index strengthened a fourth day last week, jumping 1.06%. U.S. WTI crude oil fell 2.74% after the Trump administration blamed Iran over two tanker attacks in the Gulf of Oman.

What We're Reading

[June Rate Cut Not Likely](#)

[Lone Critic Expects June Cut](#)

[Iran to Exceed Enrichment Limit](#)

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Week's Economic Calendar

Monday, June 17: Empire State Manufacturing, Housing Market Index;

Tuesday, June 18: Housing Starts & Building Permits;

Wednesday, June 19: Mortgage Applications, FOMC Rate & Policy Decisions;

Thursday, June 20: Jobless Claims, Philly Fed Business Outlook, Leading Economic Indicators;

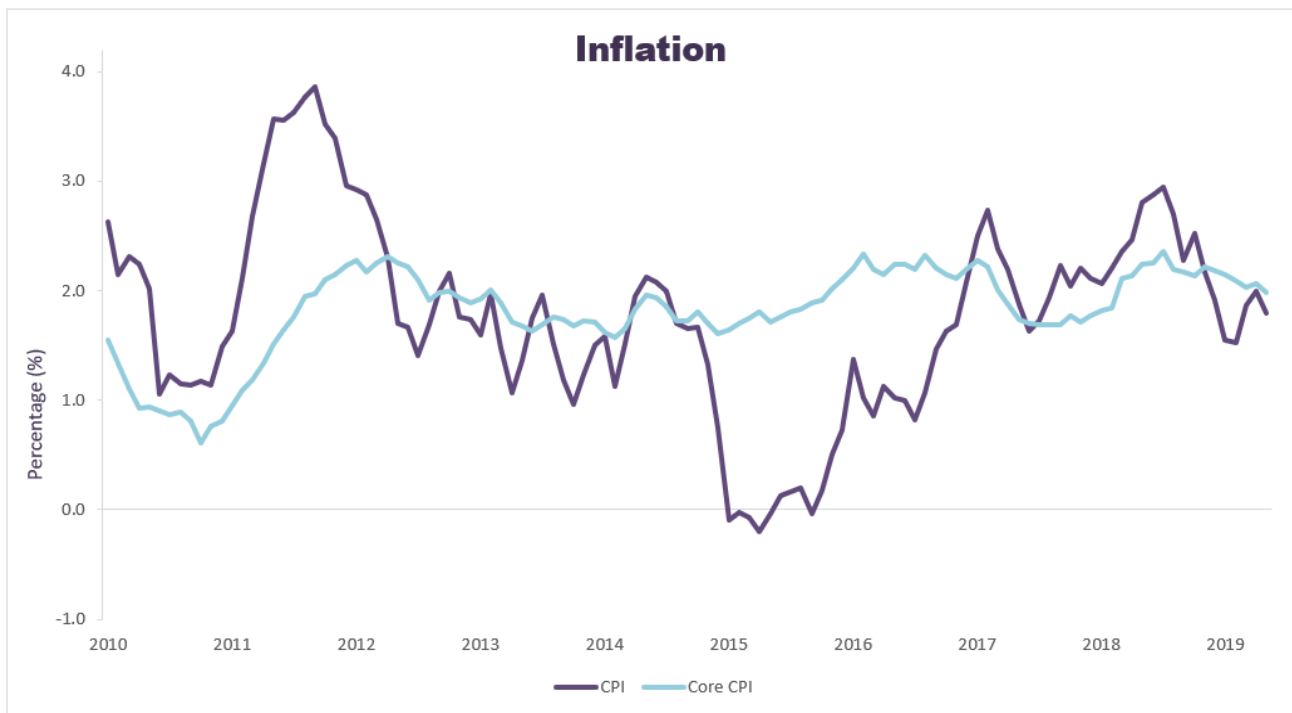
Friday, June 21: Existing Home Sales, Markit Manufacturing & Services Purchasing Managers Indices (PMI).

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.41	5.14	1.48	11.84	3.63	13.87
S&P 500	0.53	5.01	3.32	16.29	5.88	13.92
NASDAQ Composite	0.73	4.67	2.46	18.12	1.57	18.52
Russell 3000	0.50	4.88	2.83	16.33	4.37	13.70
MSCI EAFE	-0.26	2.96	1.17	10.83	-4.44	8.85
MSCI Emerging Markets	0.89	1.93	-2.48	6.09	-7.48	10.73
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Barclays Agg Bond	0.02	0.38	3.60	5.20	7.41	2.28
Barclays Municipal	-0.12	0.08	3.04	4.79	6.72	2.68
Barclays US Corp High Yield	0.36	1.28	2.20	8.86	5.85	7.37
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	0.93	0.25	-3.74	2.57	-10.74	-2.94
S&P GSCI Crude Oil	-2.32	-1.36	-10.42	16.21	-20.89	2.46
S&P GSCI Gold	-0.12	2.55	3.31	4.93	2.77	1.44

Source: Morningstar

Chart of the Week: Overly Tame Inflation Continues



Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, U.S. Bureau of Labor Statistics. CPI is Consumer Price Index. Core CPI is CPI Less Food and Energy. Figures shown are year-over-year. Data as of 5/31/2019.

The slowdown in inflation continued into May. The CPI (Consumer Price Index) grew by 1.8% over the last 12 months, slightly below April's 2.0% reading. Core CPI, which excludes food and energy, also fell in May (to 2.0%). Inflationary pressures have been easing since last fall, partially contributing to the decline in bond yields. Subdued inflation is also increasing the likelihood of the Fed reducing interest rates this year.

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Glossary

*The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

*The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index*

*The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000*

Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **Bloomberg Barclays US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **MSCI All-Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** captures large and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720 and has been as low as 70.698 in March 2008.