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Market Week: June 4, 2018



The Markets (as of market close June 1, 2018)

Last Friday's strong jobs report provided the impetus for a strong finish to the week, as the indexes were able to recoup some of their early week losses. The small-cap Russell 2000 and the tech-heavy Nasdaq led the way, posting solid weekly gains. On the other hand, the large-cap Dow declined, as did the Global Dow. The broader S&P 500 managed to close last week ahead by about 0.50%. The week was full of mixed news for investors, starting with the potential for tariff wars between the United States and some of its long-standing trade partners. Investor uneasiness was also attributable to political drama in Italy and, to a lesser degree, Spain. In Italy, after much political wrangling, a coalition government took control, naming a political novice, Giuseppe Conte, as prime minister. Spain also ushered in a new government after removing Prime Minister Mariano Rajoy and replacing him with Pedro Sanchez.

The price of crude oil (WTI) fell again last week, closing at \$65.72 per barrel, down from the prior week's closing price of \$67.50 per barrel. The price of gold (COMEX) fell to \$1,298.00 by early Friday evening, down from the prior week's price of \$1,306.50. The national average retail regular gasoline price increased to \$2.962 per gallon on May 28, 2018, \$0.039 higher than the prior week's price and \$0.556 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 6/1	Weekly Change	YTD Change
DJIA	24719.22	24753.09	24635.21	-0.48%	-0.34%
Nasdaq	6903.39	7433.85	7554.33	1.62%	9.43%
S&P 500	2673.61	2721.33	2734.62	0.49%	2.28%
Russell 2000	1535.51	1626.93	1647.98	1.29%	7.32%
Global Dow	3085.41	3047.11	3025.69	-0.70%	-1.94%
Fed. Funds target rate	1.25%-1.50%	1.50%-1.75%	1.50%-1.75%	0 bps	25 bps
10-year Treasuries	2.41%	2.92%	2.90%	-2 bps	49 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic Headlines

- May proved to be a big hiring month with 223,000 new jobs added, while the unemployment rate edged down 0.1 percentage point to 3.8%. The total number of unemployed dropped from 6.34 million in April to 6.07 million in May. Over the year, the unemployment rate was down by 0.5 percentage point, and the number of unemployed persons declined by 772,000. Notable job gains occurred in retail trade (31,000), health care (29,000), construction (25,000), professional and technical services (23,000), transportation and warehousing (19,000), and manufacturing (18,000). The average workweek remained at 34.5 hours. Average hourly earnings grew by \$0.08 to \$26.92. Over the year, average hourly earnings have increased by \$0.71, or 2.7%.

Key Dates/Data Releases
6/5: ISM Non-Manufacturing Index, JOLTS
6/6: International trade

- Gross domestic product increased at an annual rate of 2.2% in the first quarter of 2018, according to the second estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2017, GDP increased at an annual rate of 2.9%. The deceleration in the first-quarter GDP reflected decreases in personal consumption expenditures; exports; federal, state, and local government spending; and residential fixed investment. Gross domestic income increased 2.8% in the first quarter, compared with an increase of 1.0% in the fourth quarter.
- Consumers' income and spending increased in April. Personal (pre-tax) income increased by 0.3% and disposable (after-tax) personal income climbed 0.4% in April. Personal consumption expenditures jumped 0.6% for the month. Much of the increase in consumer spending is attributable to rising gas prices, as core PCE (less food and energy) increased by only 0.2%. Consumer prices nudged up 0.2% in April and are up 2.0% over the last 12 months. Core prices have risen 1.8% for the year.
- According to the IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) report, the manufacturing sector followed its April surge with sharp increases in new orders, new business, and output in May. The rate of growth for new orders was the second-fastest since September 2014 (after April 2018).
- The May 2018 Manufacturing ISM® Report On Business® was in line with the Markit results. Manufacturing expanded in May over April, as did new orders, production, employment, prices, and deliveries. As expected with greater demand, inventories fell a bit.
- The international trade deficit was \$68.2 billion in April, down \$0.4 billion from \$68.6 billion in March. Exports of goods for April were \$139.6 billion, \$0.7 billion less than March exports. Imports of goods for April were \$207.8 billion, \$1.1 billion less than March imports.
- The Conference Board Consumer Confidence Index® increased in May, following a modest decline in April. Consumers' assessment of current conditions improved in May. Consumers were modestly more positive about the short-term economic outlook last month.
- In the week ended May 26, there were 221,000 initial claims for unemployment insurance, a decrease of 13,000 from the previous week's level. The advance insured unemployment rate remained at 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended May 19 was 1,726,000, a decrease of 16,000 from the prior week's level, which was revised up by 1,000.

Eye on the Week Ahead

Market volatility is expected to continue as investors monitor ongoing geopolitical developments. Apparently, the summit with North Korea is back on for June 12 — at least for now. Otherwise, this week is relatively slow with respect to economic reports.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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