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Market Week: July 2, 2018



The Markets (as of market close June 29, 2018)

The benchmark indexes listed here continued to trend downward, losing value for the second week in a row. The Russell 2000 and the Nasdaq, both of which had been the leading performers for much of the year, suffered the biggest weekly losses, followed by the S&P 500, the Dow, and the Global Dow. While energy shares performed well on the heels of oil prices reaching a four-year high, overall fears of worsening trade relations between the United States and several of its trade partners pulled investors away from stocks.

The price of crude oil (WTI) surged last week, closing at \$74.25 per barrel, up from the prior week's closing price of \$69.32 per barrel. The price of gold (COMEX) fell to \$1,254.20 by early Friday evening, down from the prior week's price of \$1,271.70. The national average retail regular gasoline price fell to \$2.833 per gallon on June 25, 2018, \$0.046 lower than the prior week's price but \$0.545 higher than a year ago.

Market/Index	2017 Close	Prior Week	As of 6/29	Weekly Change	YTD Change
DJIA	24719.22	24580.89	24271.41	-1.26%	-1.81%
Nasdaq	6903.39	7692.82	7510.30	-2.37%	8.79%
S&P 500	2673.61	2754.88	2718.37	-1.33%	1.67%
Russell 2000	1535.51	1685.58	1643.07	-2.52%	7.00%
Global Dow	3085.41	3007.73	2979.52	-0.94%	-3.43%
Fed. Funds target rate	1.25%-1.50%	1.75%-2.00%	1.75%-2.00%	0 bps	50 bps
10-year Treasuries	2.41%	2.89%	2.86%	-3 bps	45 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

- The third and final estimate of the first-quarter gross domestic product showed the economy expanded at a rate of 2.0%. Fourth-quarter growth was 2.9%. Gross domestic income (the net sum of income earned in the production of GDP) increased 3.6% in the first quarter, compared with a 1.0% bump in the fourth quarter. In the first quarter, consumer spending grew at the relatively low rate of 0.9%, while business spending rose 7.5%.
- Both pre-tax and after-tax consumer income increased by 0.4% in May. Overall, consumer spending climbed 0.2% in the month, while core expenditures (excluding food and energy) also accelerated at 0.2%. Prices for consumer goods and services, overall and excluding food and energy, also increased 0.2%. Of note, consumer prices are up 2.3%, and core prices, an inflation indicator of importance to the Federal Open Market Committee, is up 2.0% over the past 12 months — right at the target inflation rate set by the Committee. Look for more interest rate increases intended to keep the reins on inflation.
- New home sales soared in May, up 6.7% over April's figures and 14.1% ahead of the May 2017

Key Dates/Data Releases

7/2: PMI Manufacturing Index, ISM Manufacturing Index

7/5: ISM Non-Manufacturing Index

7/6: Employment situation, international trade

estimate. Weakening sales prices may have helped boost sales in May. The median sales price of new houses sold in May 2018 was \$313,000 (\$318,500 in April). The average sales price was \$368,500 (\$394,600 in April). The seasonally adjusted estimate of new houses for sale at the end of May was 299,000. This represents a supply of 5.2 months at the current sales rate.

- New orders for durable goods fell 0.6% in May following a 1.0% drop in April. Excluding transportation, new orders decreased 0.3%. Shipments were down 0.1% after increasing nine consecutive months. Unfilled orders rose 0.5% in May after advancing 0.6% in April. Lastly, inventories increased 0.3% — the same increase as in April.
- Despite tariffs and trade wars, exports surged 2.1% in May, pulling down the trade deficit from \$67.3 billion in April to \$64.8 billion in May. Imports of goods for May were \$208.4 billion, \$0.4 billion (or 0.2%) more than April imports.
- In the week ended June 23, there were 227,000 initial claims for unemployment insurance, an increase of 9,000 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 June 16 was 1,705,000, a decrease of 21,000 from the prior week's level, which was revised up by 3,000.

Eye on the Week Ahead

Trading is usually subdued during the holiday-shortened week. Nevertheless, the following week could start off with a bang based on Friday's employment data for June.

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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