Weekly Market Update

General Market News

- Rates moved higher last week after hitting a recent cycle low the previous week. The 10-year Treasury was as low as 2.33 percent 11 days ago and sold off to rates as high as 2.54 percent late last week. It opened at 2.48 percent early Monday. Meanwhile, the 2-year opened at 2.33 percent, and the 30-year opened at 2.90 percent.
- Global markets were up across the board last week. Global growth trade was back on as manufacturing surveys out of both the U.S. and China showed signs of improvement. Additionally, there appeared to be continued traction in trade talks between the two countries. Mortgage and auto data also showed signs of improvement following the Federal Reserve's (Fed's) dovish move on rates last month.
- Materials, financials, and consumer discretionary were the top three performers on the week. The sustained lower interest rate environment supported the materials and consumer discretionary sectors. Meanwhile, financials moved higher, supported by higher yields. Consumer staples, utilities, and health care were among the worst performers on the week, as investors favored the risk-on trade.
- Last week was a relatively busy one for economic updates. On Monday, February's retail sales disappointed, falling 0.2 percent against expectations for 0.2-percent growth. Also on Monday, the Institute for Supply Management (ISM) Manufacturing survey was released. This measure of manufacturer sentiment rose by more than expected, from 54.2 to 55.3.
- On Tuesday, February's durable goods orders declined by 1.6 percent, which was slightly better than the 1.8-percent drop that was expected. The core figure, which strips out volatile transportation orders, grew by 0.1 percent.
- Thursday saw the release of the ISM Nonmanufacturer survey. This index disappointed, falling from 59.7 to 56.1. This is a diffusion index, where values greater than 50 indicate expansion. So, this decline is not something to be overly concerned about for the time being.
- Finally, on Friday, March's employment report was released. Expectations were muted following a disappointing February. But March saw a strong rebound in job creation, with 196,000 new jobs added during the month. Unemployment remained unchanged at 3.8 percent.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	2.09	2.09	16.02	10.83
Nasdaq Composite	2.73	2.73	20.00	13.41
DJIA	1.95	1.95	14.00	10.36
MSCI EAFE	2.01	2.01	12.34	–1.72
MSCI Emerging Markets	2.58	2.58	12.79	–4.34
Russell 2000	2.80	2.80	17.79	3.97

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.30	2.64	4.53
U.S. Treasury	–0.46	1.64	4.23
U.S. Mortgages	–0.15	2.01	4.44
Municipal Bond	–0.30	2.59	5.17

Source: Morningstar Direct

What to Look Forward To

This week is a busy one for economic news. On Wednesday, the consumer prices report is due. The headline index, which includes energy and food, is expected to rise from a 0.2-percent increase in February to a 0.3-percent increase for March on a rebound in energy prices. This will take the annual rate from 1.5 percent to 1.8 percent, which is still well below the Fed's inflation target. This increase will be entirely due to gasoline prices. The core index, which excludes energy and food and is a better economic indicator, is expected to be lower. It should edge up from 0.1 percent in February to 0.2 percent in March but remain steady at 2.1 percent on an annual basis. Overall, if the numbers come in as expected, they would show that inflation remains under control.

On Wednesday, the minutes from the Fed's March meeting will be released, giving us some insight into the Fed's decision to leave rates unchanged last month. Expectations are that the notes will show that Fed members are unlikely to raise rates this year but could include more color on how they plan to stop reducing the Fed balance sheet. These notes are unlikely to move markets. But in conjunction with the price data, they could serve to reinforce market expectations of a steady rate policy.

What to Look Forward To (continued)

The producer price report, due on Thursday, is expected to show similar results to the consumer prices report. The headline number is expected to rise from 0.1 percent to 0.3 percent, on energy. In this case, the annual rate should stay at 1.9 percent, due to base effects. Similarly, the core index will rise slightly, from 0.1 percent to 0.2 percent. Here, the annual rate is expected to drop from 2.5 percent to 2.4 percent. These numbers would be consistent with the consumer price report and have the same meaning.

Finally, the University of Michigan consumer confidence survey, released on Friday, is expected to drop slightly from 98.4 in March to 98 in April. Although gas prices have risen, the stock market has done well and job growth has rebounded, which should leave confidence steady. If the number comes in as expected, this would be well above the historical average and serve as a counterweight to the weaker results from the Conference Board surveys.

Authored by the Investment Research team at Commonwealth Financial Network.