

## *Weekly Market Commentary* *July 30, 2018*

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### **S&P 500 Posts Fourth Weekly Gain**

#### July 23 - 27, 2018 Recap

- **Technology Slide Trims Broad Market Gains.** Technology companies led a second day of losses on the S&P 500 last Friday as sharp declines in social media companies overshadowed a strong 2Q GDP report and favorable earnings during the week. U.S. crude oil logged its first weekly gain in four weeks.
- **Small Caps Underperform.** For the week, the S&P 500 rose 0.61%, the Dow Industrials advanced 1.57%, and the tech-heavy Nasdaq Composite fell by 1.05%. The small cap focused Russell 2000 Index fell 1.96% last week after gaining 3.31% the prior three weeks.
- **Fastest Growth Since 2014.** The U.S. economy expanded at a 4.1% annualized pace in the second quarter, led by a 4% increase in consumer spending. Also positive, the first quarter GDP was upwardly revised to 2.2% from 2.0%.
- **Energy Gain the Most.** Eight of the 11 major sectors posted gains last week, led by Energy (+2.32%), Industrials (+2.08%) and Financials (+2.04%). Technology (-1.15%) and Consumer Discretionary (-0.45%) led among decliners.
- **Bond Prices Rose.** Treasuries rallied on equity jitters, sending yields lower across the maturity curve. The U.S. Dollar Index rose 0.2% over the week, ending at 94.669. The yield on benchmark 10-year notes rose by 6.1 basis points last week, ending at 2.955. The Bloomberg Commodities Index rebounded nearly 1.4% last week, with WTI oil prices climbing 0.6% to \$68.69/bbl.

### **What We're Reading**

[EU-U.S. Strike Trade Deal](#)

[Goldilocks GDP Report](#)

[Oil Rebounds on Supply Issues](#)

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## Week’s Economic Calendar


**Monday, July 30:** Pending Home Sales, Dallas Fed Manufacturing;

**Tuesday, July 31:** Personal Income & Outlays, PCE Core Prices, Labor Costs, Case-Shiller Home Prices, Consumer Confidence, MNI Chicago PMI;

**Wednesday, August 1:** ADP Private Jobs, Markit & ISM Mfg PMIs, Construction Spending, FOMC Policy Decisions;

**Thursday, August 2:** Jobless Claims, Final June Durable & Factory Goods Orders;

**Friday, August 3:** U.S. Trade Deficit, Non-farm Payrolls, Markit & ISM Services PMIs.



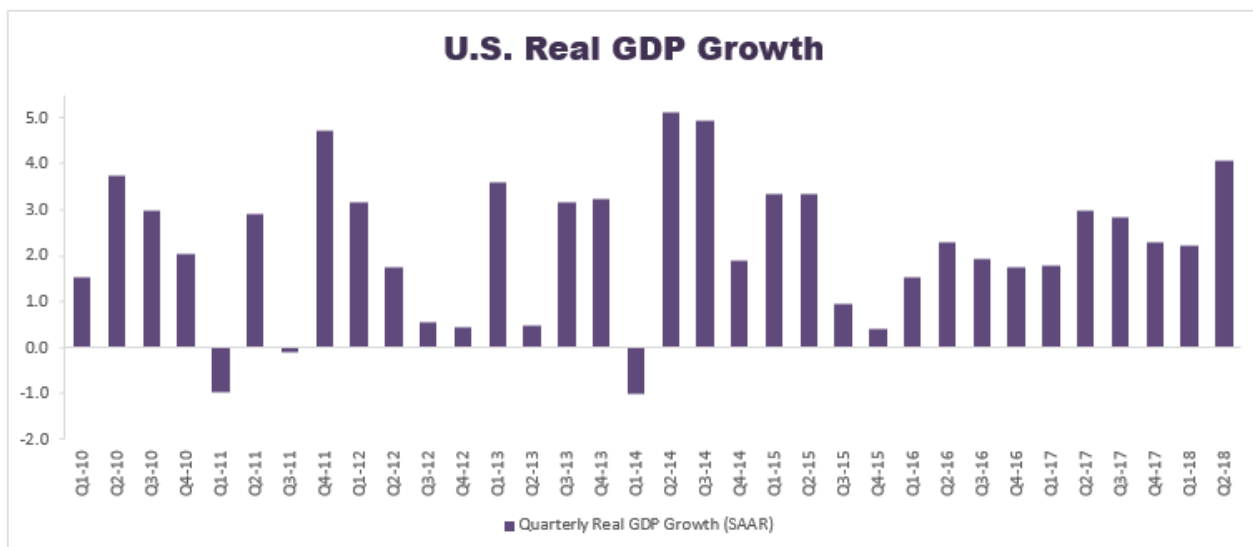
### Market Watch

Stocks	1-Wk	MTD	3-Month	YTD	1-Year
Dow Jones	1.57%	4.86%	4.69%	2.96%	16.78%
S&P 500	0.61%	3.80%	6.08%	6.55%	16.11%
NASDAQ	-1.05%	3.06%	8.96%	12.71%	22.53%
Russell 3000	0.22%	3.37%	6.13%	6.70%	16.19%
MSCI EAFE	1.35%	2.73%	-0.74%	-0.10%	6.71%
MSCI Emerging Markets	2.14%	2.64%	-4.43%	-4.19%	4.55%
Bonds	1-Week	MTD	3-Month	YTD	1-Year
Barclays Agg Bond	-0.17%	-0.03%	0.66%	-1.64%	-0.72%
Barclays Municipal	-0.19%	0.23%	1.56%	-0.02%	1.03%
Barclays US Corp High Yield	0.32%	0.92%	1.31%	1.08%	2.46%
Commodities	1-Week	MTD	3-Month	YTD	1-Year
Bloomberg Commodity	1.42%	-2.79%	-4.62%	-2.79%	2.25%
S&P GSCI Crude Oil	0.63%	-7.36%	0.87%	13.69%	40.10%
S&P GSCI Gold	-0.62%	-1.74%	-6.85%	-5.85%	-2.67%

Source: Morningstar

### Chart of the Week

**Strongest Economic Growth in Four Years!**



Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, U.S. Bureau of Economic Analysis. SAAR is seasonally adjusted annual rate.

[View larger image »](#)

U.S. GDP growth accelerated strongly in the second quarter and reached its fastest pace of growth since the third quarter of 2014. Real GDP growth was 4.1% in the second quarter, in-line with expectations, and well ahead of the 2.2% growth experienced in the first quarter. It was the fifth time in this expansion where quarterly GDP growth reached 4.0% or higher and significantly above the average quarterly growth of 2.3% during the current economic expansion. The strong GDP figure was largely driven by robust consumer spending and business investment, providing evidence that tax reform is beginning to support economic growth.

Solid economic growth combined with a sizeable uptick in inflation has driven the probability of two more rate hikes in 2018 to nearly 70%. We anticipate upward pressure on bond yields to remain under these conditions. Growth may have peaked in the second quarter because of several headwinds in the coming quarters including rising interest rates, fading tax reform, and the impact of tariffs. Despite these headwinds, we project economic growth to remain stable through year-end, as the fundamentals remain strong for the labor market, industrial output, consumer spending, and services activity.

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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 pre-refunded 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 **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 **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Introduced in 1993, the VIX Index has been considered by many to be the world's premier barometer of investor sentiment and market volatility.

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 **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 **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 **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 **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 **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.