



Market Week: June 18, 2018



The Markets (as of market close June 15, 2018)

Market gains achieved earlier in the week were given back by last Friday as investors appeared to react to China's retaliatory tariffs on American exports. The deteriorating relationship between the United States and China escalated last week as the Trump administration revealed plans to impose tariffs of 25% on a significant number of Chinese imports. In response, China targeted U.S. exports, including cars and crude oil, for similar tariffs. By the end of the week, the Dow fell the most, suffering through its largest one-week loss since March. Other than the Global Dow, the remaining indexes listed here posted gains, with the Nasdaq climbing over 1.30%. The S&P 500 was virtually unchanged, and the Russell 2000 gained over 0.50%.

The price of crude oil (WTI) dipped again last week, closing at \$64.38 per barrel, down from the prior week's closing price of \$65.56 per barrel. The price of gold (COMEX) fell to \$1,282.00 by early Friday evening, down from the prior week's price of \$1,303.50. The national average retail regular gasoline price fell to \$2.911 per gallon on June 11, 2018, \$0.029 lower than the prior week's price but \$0.545 higher than a year ago.

Market/Index	2017 Close	Prior Week	As of 6/15	Weekly Change	YTD Change
DJIA	24719.22	25316.53	25090.48	-0.89%	1.50%
Nasdaq	6903.39	7645.51	7746.38	1.32%	12.21%
S&P 500	2673.61	2779.03	2779.66	0.02%	3.97%
Russell 2000	1535.51	1672.49	1683.91	0.68%	9.66%
Global Dow	3085.41	3060.76	3044.16	-0.54%	-1.34%
Fed. Funds target rate	1.25%-1.50%	1.50%-1.75%	1.75%-2.00%	25 bps	50 bps
10-year Treasuries	2.41%	2.93%	2.92%	-1 bps	51 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 Federal Open Market Committee decided to raise the target range for the federal funds rate 25 basis points to 1.75%-2.00%. The Committee noted that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Growth of household spending has picked up, while business fixed investment has continued to grow strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2%. With the median funds forecast at 2.4%, the FOMC appears to be targeting two more rate hikes before the end of the year.
- Consumer prices continued to climb at a slow pace in May, inching up 0.2% following the same increase in April. Over the last 12 months, the Consumer Price Index has risen 2.8%. The CPI less food and



Key Dates/Data Releases

6/19: Housing starts

6/20: Existing home sales

energy also rose 0.2% for the month and is up 2.2% over the last 12 months. Some of the categories showing monthly price gains include energy (particularly gas); shelter; education and communication; medical care commodities; new vehicles; tobacco and smoking products; hospital services; and motor vehicle insurance. Airline fares dropped 1.9%. Other price drops occurred in used cars and trucks; household furnishing and operations; and fuel oil.

- The prices producers receive for goods and services at the wholesale level rose 0.5% in May after climbing 0.1% the prior month. In May, 60% of the price increase is attributable to a 1.0% advance in goods prices, particularly gasoline prices. Prices less food, energy, and trade services increased 0.1% in May over April, and 2.6% from May 2017. The prices for services moved up 0.3%. One-third of the May advance in prices for services is attributable to a 1.5% rise in margins for machinery, equipment, parts, and supplies wholesaling (trade indexes that measure changes in margins received by wholesalers and retailers). On an unadjusted basis, wholesale prices increased 3.1% for the 12 months ended in May, the largest 12-month increase since climbing 3.1% in January 2012.
- Retail sales jumped 0.8% in May from the previous month, and 5.9% above May 2017. Retail trade sales were up 0.8% from April 2018, and 6.0% above last year. Gasoline stations sales were up 17.7% from May 2017, while nonstore (online) retail sales were up 9.1% from last year.
- The federal government showed a \$146.8 billion deficit in May following a \$214.3 billion surplus in April. For comparison, the May 2017 deficit was \$88.4 billion. For fiscal 2018, the total government deficit is \$532.2 billion. Over the same eight months in 2017, the deficit was \$432.9 billion — a difference of about 23%. Of note, for the current fiscal year to date (October through May), individual income taxes are up \$94.5 million compared to 2017, while corporate income taxes are down \$42.2 million. Compared to fiscal 2017, total government receipts for fiscal 2018 are up 2.6%, while expenditures have increased by 5.9%.
- Industrial production edged down 0.1% in May after rising 0.9% in April. Manufacturing production fell 0.7% in May. Excluding motor vehicles and parts, factory output moved down 0.2% for the month. Over the past 12 months, industrial production is up 3.5%.
- Prices for U.S. imports increased 0.6% for the second consecutive month in May, as rising fuel and nonfuel prices contributed to the advances in both months. Import prices have risen 4.3% for the 12 months ended in May 2018 — largely driven by higher fuel prices. Excluding fuel, import prices are up 0.2% for the month and 1.9% for the year. U.S. export prices rose 0.6% for the second consecutive month in May, and are up 4.9% for the year.
- In the week ended June 9, there were 218,000 initial claims for unemployment insurance, a decrease of 4,000 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 2 was 1,697,000, a decrease of 49,000 from the prior week's level, which was revised up by 5,000. This is the lowest level for insured unemployment since December 1, 1973, when it was 1,692,000.

Eye on the Week Ahead

Performance statistics from the housing sector for May are released this week and next. Housing starts, new building permits, and existing home sales each dropped off in April. Reports this week hope to show a reversal of that trend for May. Next week, figures on new home sales are released for May following April's lackluster returns.

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.

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