

## RBC Wealth Management

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## Market Week: June 10, 2019



### The Markets (as of market close June 7, 2019)

Markets rebounded nicely last week on hopes that the Federal Reserve Board will cut interest rates in the near future. Early in the week, chairman Jerome Powell said the Fed was closely watching trade developments and signaled rate cuts may be an option if the economic outlook worsens. And on Friday, a weak jobs report supported the possibility of future rate cuts, further encouraging investors. All the indexes tracked here climbed more than 3%, with the large caps of the Dow and S&P 500 surpassing 4% for the week. With the exception of global stocks, all year-to-date returns topped 10%.

Oil prices rose to \$54.04 per barrel by late Friday, up from the prior week's price of \$53.33. The price of gold (COMEX) also rose last week, reaching \$1,345.00 by Friday evening, up from the prior week's price of \$1,310.30. The national average retail regular gasoline price was \$2.807 per gallon on June 3, 2019, \$0.015 lower than the prior week's price and \$0.133 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 6/7	Weekly Change	YTD Change
<b>DJIA</b>	23327.46	24815.04	25983.94	4.71%	11.39%
<b>Nasdaq</b>	6635.28	7453.15	7742.10	3.88%	16.68%
<b>S&amp;P 500</b>	2506.85	2752.06	2873.34	4.41%	14.62%
<b>Russell 2000</b>	1348.56	1465.49	1514.39	3.34%	12.30%
<b>Global Dow</b>	2736.74	2888.03	2990.88	3.56%	9.29%
<b>Fed. Funds target rate</b>	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
<b>10-year Treasuries</b>	2.68%	2.13%	2.09%	-4 bps	-59 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 employment report revealed an increase of just 75,000 jobs in May, compared to a monthly average of 164,000 in 2019. Gains were reported in professional and business services and health care. Little change was noted in construction, mining, manufacturing, wholesale trade, retail trade, transportation and warehousing, information, financial activities, leisure and hospitality, and government. Hourly wages increased by \$0.06 to \$27.83, bringing the average increase in hourly earnings over the past year to 3.1%. The March and April figures were revised downward by a total of 75,000 jobs.
- At 50.5, the IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) reached its lowest level in May since September 2009, as output slowed and new orders dropped for the first time since August 2009. Weak demand and concerns surrounding ongoing trade negotiations caused manufacturers to express their joint-lowest level of confidence since the outlook was first measured in July 2012. The May reading was 2.1 points lower than April. "The data for the second quarter so far have indicated a distinct slowdown in the manufacturing sector compared to the first three months of 2019," the report said on final page

June 10, 2019

#### Key Dates/Data Releases

6/11: PPI

6/12: CPI, federal budget

6/13: Weekly jobless claims

6/14: Retail sales, industrial production, consumer sentiment

- Although the Institute for Supply Management (ISM) Purchasing Managers Index dropped 0.7 percentage point from its April reading, to 52.1% in May, the reading indicates that economic activity in the sector continued to expand (a reading above 42.9% over a period of time indicates expansion). New orders, employment, and prices rose, while production, supplier deliveries, and inventories decreased.
- The ISM's Non-Manufacturing Index came in at 56.9% in May, 1.4% higher than April. Business activity, new orders, and employment all posted gains, while prices decreased. According to the report, survey respondents "...are optimistic about overall business conditions, but concerns remain about tariffs and employment resources."
- According to the U.S. Census Bureau "Monthly U.S. International Trade in Goods and Services" report, the deficit fell \$1.1 billion from March to April, to \$50.8 billion. Exports were \$206.8 billion, while imports were \$257.6 billion. The April deficit reflected a decrease in the goods deficit of \$1 billion, and an increase in the services deficit of \$0.1 billion. Year-to-date, the goods and services deficit rose \$4.1 billion, or 2%, from the same period in April 2018.
- For the week ended June 1, there were 218,000 claims for unemployment insurance, unchanged from the previous week's revised level. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended May 25. The advance number of those receiving unemployment insurance benefits during the week ended May 25 was 1,682,000, an increase of 20,000 from the prior week's level, which was revised up by 5,000.

### Eye on the Week Ahead

Next week, investors and the Federal Reserve Board will get another perspective on how the economy is faring, as inflation numbers are on tap. Other key reports include the federal budget, retail sales, industrial production, and consumer sentiment.

*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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