Market Week: July 8, 2019

The Markets (as of market close July 5, 2019)

Last week, June's labor report was strong enough to likely prompt the Fed to hold interest rates at their current level (and forestall a rate cut). Feeding off the latest labor figures, stocks pushed ahead during the holiday-shortened week as each of the benchmark indexes listed here posted gains. The Nasdaq led the way, gaining close to 2.0%, followed by the large caps of the S&P 500 and the Dow, each of which enjoyed a solid week. The Global Dow gained close to 1.0%, despite evidence of a slowing global economy. Pulling up the rear was the Russell 2000, which added over 0.5% in value by last week's end. Despite the performance of stocks, long-term bond yields held steady as prices inched down marginally.

Oil prices fell to $57.69 per barrel by late Friday afternoon, down from the prior week's price of $58.16. The price of gold (COMEX) fell last week, dropping to $1,402.10 by late Friday afternoon, down from the prior week's price of $1,413.30. The national average retail regular gasoline price was $2.713 per gallon on July 1, 2019, $0.059 higher than the prior week's price but $0.131 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 7/5	Weekly Change	YTD Change
DJIA	23327.46	26599.96	26922.12	1.21%	15.41%
Nasdaq	6635.28	8006.24	8161.79	1.94%	23.01%
S&P 500	2506.85	2941.76	2990.41	1.65%	19.29%
Russell 2000	1348.56	1566.57	1575.62	0.58%	16.84%
Global Dow	2736.74	3074.41	3102.14	0.90%	13.35%
Fed. Funds target rate	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
10-year Treasuries	2.68%	2.00%	2.04%	4 bps	-64 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

- There were 224,000 new jobs added in June, according to the Bureau of Labor Statistics. Employment growth has averaged 172,000 per month thus far this year, compared with an average monthly gain of 223,000 in 2018. In June, notable job gains occurred in professional and business services, health care, and transportation and warehousing. Both the unemployment rate and the number of unemployed inched up in June compared to May. The unemployment rate rose 0.1 percentage point to 3.7%, and the number of unemployed increased from 5.9 million in May to 6.0 million in June. The number of those unemployed for 27 weeks or longer increased 116,000 to 1.4 million in June from the prior month. The labor force participation rate inched up 0.1 percentage point to 62.9%. In June, the

Key Dates/Data Releases

7/9: JOLTS

7/11: Consumer Price Index, Treasury budget

7/12: Producer Price Index

employment-population ratio was 60.6% for the fourth month in a row. The average workweek for all employees was unchanged at 34.4 hours in June. Average hourly earnings rose by $0.06 to $27.90 in June, following a $0.09 gain in May. Over the past 12 months, average hourly earnings have increased by 3.1%.

- The two main sources for predicting manufacturing activity according to purchasing managers, the Institute for Supply Management® and IHS Markit, each reported that operating conditions in the manufacturing sector were relatively stagnant in June. The Markit report saw its manufacturing index inch up 0.1 percentage point to 50.6 in June compared to May. New order growth was the slowest it has been in almost three years. As output waned, manufacturers reined in hiring at its slowest pace in several years. Inflationary pressures remained muted despite slight accelerations in rates of output charge and input price inflation.
- The report from the Institute for Supply Management® saw its purchasing manufacturing index fall 0.4 percentage point in June from May. Survey respondents reported that new orders fell, while production and new hires increased.
- In the non-manufacturing or services sector, business slowed in June to its lowest rate in almost two years, according to the latest Non-Manufacturing ISM® Report On Business®. New orders, employment, and business activity (production) each dropped off in June, while costs edged up. This report, coupled with the reports on business activity in the manufacturing sector, may reinforce the expectation that the Federal Reserve will reduce interest rates later this summer.
- The Census Bureau reported last week that the goods and services international trade deficit was $55.5 billion in May, up $4.3 billion from the April deficit. May exports were $210.6 billion, $4.2 billion more than April exports. May imports were $266.2 billion, $8.5 billion more than April imports. Year-to-date, the goods and services deficit increased $15.7 billion, or 6.4%, from the same period in 2018. Exports increased $5.1 billion, or 0.5%. Imports increased $20.8 billion, or 1.6%. May figures show monthly surpluses with South and Central America ($4.1 billion and Hong Kong ($2.6 billion). Notable monthly trade deficits in May existed with China ($30.1 billion), the European Union ($16.9 billion), Mexico ($9.1 billion), and Japan ($6.0 billion).
- For the week ended June 29, there were 221,000 claims for unemployment insurance, a decrease of 8,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended June 22. The advance number of those receiving unemployment insurance benefits during the week ended June 22 was 1,686,000, a decrease of 8,000 from the prior week's level, which was revised up by 6,000.

Eye on the Week Ahead

Inflationary pressures have been weak for much of the year. This week, both the Consumer Price Index and the Producer Price Index for June are out and will provide a good indication of the direction of consumer prices for the rest of the summer.

Wealth Management