

Market Week: May 20, 2019



The Markets (as of market close May 17, 2019)

Investors were heading for the hills early last week as stocks suffered their worst day on Monday following China's announcement that it would impose an additional \$60 billion in retaliatory tariffs on U.S. imports. Stocks for several companies with direct ties to China were hit particularly hard. The markets rebounded, but not enough to overcome the poor start early in the week. Helping to ease investors' concerns over trade tensions, the Trump administration indicated that it would delay a decision on whether to impose tariffs on auto and parts imports. Then, last Friday afternoon, the administration announced that it had reached an agreement with Canada and Mexico that would end U.S. tariffs on steel and aluminum imports. Nevertheless, each of the benchmark indexes listed here lost value by last week's end, led by the Russell 2000 and the Nasdaq. Year-to-date, the Nasdaq continues to lead the pack, ahead of its 2018 closing value by almost 18%.

Oil prices inched higher last week, closing at \$62.71 per barrel by late Friday, up from the prior week's closing price of \$61.73 per barrel. The price of gold (COMEX) dropped again last week, closing at \$1,277.40 by Friday evening, down from the prior week's price of \$1,286.50. The national average retail regular gasoline price was \$2.866 per gallon on May 13, 2019, \$0.031 lower than the prior week's price and \$0.007 less than a year ago.

| Market/Index | 2018 Close | Prior Week | As of 5/17 | Weekly Change | YTD Change |
|-------------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 23327.46 | 25942.37 | 25764.00 | -0.69% | 10.44% |
| Nasdaq | 6635.28 | 7916.94 | 7816.28 | -1.27% | 17.80% |
| S&P 500 | 2506.85 | 2881.40 | 2859.53 | -0.76% | 14.07% |
| Russell 2000 | 1348.56 | 1572.99 | 1535.76 | -2.37% | 13.88% |
| Global Dow | 2736.74 | 2998.45 | 2977.45 | -0.70% | 8.80% |
| 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% | 2.46% | 2.39% | -7 bps | -29 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

- U.S. import prices advanced 0.2% in April, after increasing 0.6% in March. The April advance was driven by higher fuel prices, which more than offset decreasing prices for nonfuel imports. Despite the recent monthly advances, import prices declined 0.2% for the 12-month period ended in April, driven by lower nonfuel prices. Prices for U.S. exports rose 0.2% in April after a 0.6% rise in March, as nonagricultural exports outpaced declining agricultural exports. U.S. export prices rose 0.3% over the 12-month period ended in April. Of particular note, prices for imports from China declined 0.2% in April, and have decreased 1.1% since April 2018 — the largest over-the-year drop since May 2017. On the other hand,

Key Dates/Data Releases

5/21: Existing home sales

5/23: New home sales

5/24: Durable goods orders

prices for exports to China rose 0.6% in April, but have otherwise declined 2.7% over the past 12 months. Increased U.S. tariffs on Chinese imports this month will likely change this scenario in May.

- Retail sales fell 0.2% in April, but are still 3.1% above April 2018. Food and beverage store sales rose 0.2% in April, and gas station sales jumped 1.8%. However, building material and garden equipment and supplies dealers saw sales drop 1.9% last month, electronics and appliance store sales fell 1.3%, and sales for motor vehicle and parts dealers decreased 1.1%. Nonstore (online) retail sales lost 0.2% in April, but are up 9.0% from April 2018.
- According to the Federal Reserve, the manufacturing sector slowed considerably in April. Overall, industrial production fell 0.5% last month, as did manufacturing. Not surprisingly, capacity utilization, which estimates sustainable potential output, dropped 0.6 percentage point from its March rate.
- New home sales should continue to gain traction in May if April's report on housing starts is any indication. According to the Census Bureau, issued building permits increased by 0.6% in April, while housing starts jumped 5.7% over March's total. Home completions lagged (down 1.4%), but that could be attributable to April's inclement weather across much of the country.
- According to the Department of Labor, there were 212,000 claims for unemployment insurance for the week ended May 11, a decrease of 16,000 from the previous week's level. The advance rate for insured unemployment claims remained at 1.2% for the week ended May 4. The advance number of those receiving unemployment insurance benefits during the week ended May 4 was 1,660,000, a decrease of 28,000 from the prior week's level, which was revised up by 4,000.

Eye on the Week Ahead

The housing sector is in the news this week with the April figures for sales of both new and existing homes on tap. New home sales have picked up the past few months, but sales of existing properties have dragged, primarily due to scant inventory and rising prices.

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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