

Market Recap for the Week Ending 06/14/2019

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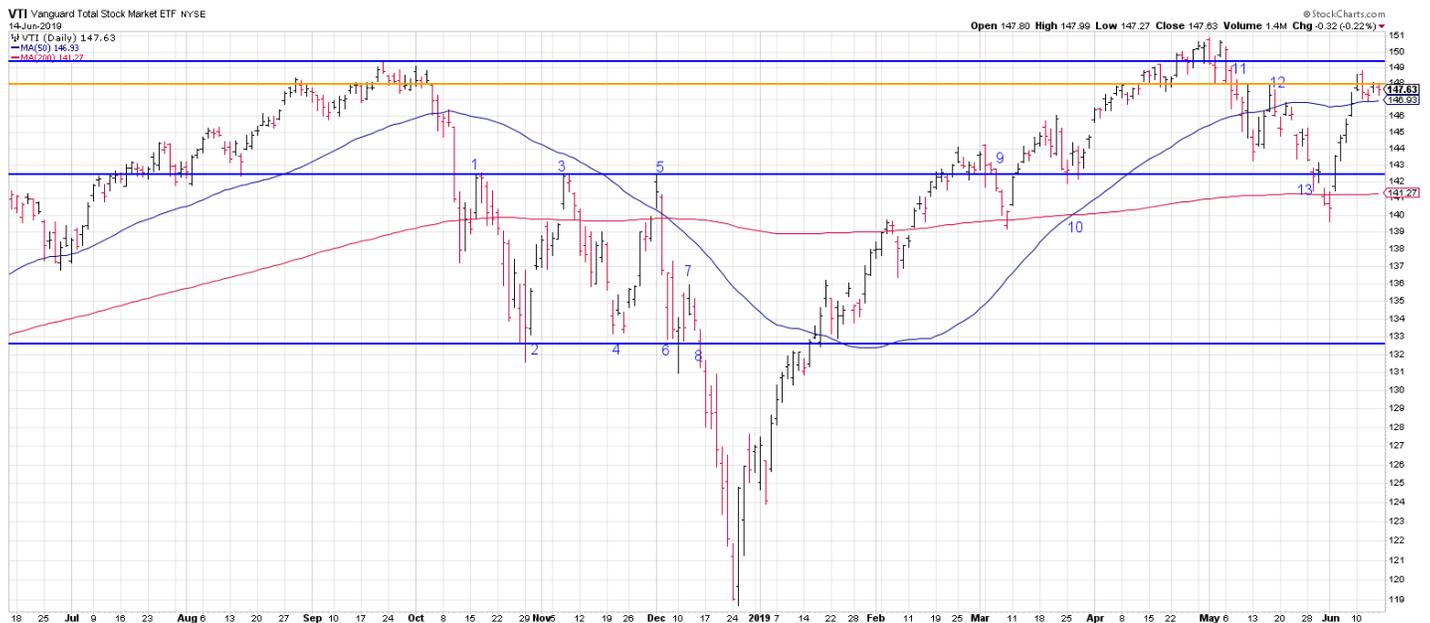
HIGHLIGHTS

- Stocks in the US were up by 0.57%
- A strong retail sales report.
- Executive confidence is declining.
- Industrial production was up in May but still down from December.
- Another hit to free markets as NY implements strong rent control legislation.

MARKET RECAP

Stocks rose in the US by 0.57% and dropped by 0.52% around the world. Equities were helped by successful initial public offerings. Chewy, an internet-based pet-product retailer jumped 59% in their debut. The trade war is still on investors minds, Broadcom reduced its sales estimate by \$2 billion this year because of that.

US stocks are hovering around the May 16 price level, which was the last interim high. The VTI has failed to close above that level for five consecutive days (see the orange line below).



RETAIL SALES

Retail sales increased in May by 0.5% with broad-based gains. April sales were revised up to +0.3% from an initial report of a 0.2% decline. The strong report will give the Fed some pause before cutting interest rates. Real personal consumption expenditures (PCE) are increasing at a 3.9% annual pace this quarter. PCE accounts for more than two-thirds of the economy.

EXECUTIVE CONFIDENCE

The Business Roundtable reported that chief executives confidence in the economy fell to the lowest level since Q4 of 2016. And a survey of CFOs from Duke University showed that 69% expect a recession will have begun by the end of 2020.

INDUSTRIAL PRODUCTION

Industrial production was up by 0.4% in May after dropping by 0.4% in April. Year over year, industrial production was 2% higher but it is 1.5% lower than the December level.

NY RENT CONTROL

In another blow for free markets, New York passed rent control legislation that would impact almost one million rent-regulated apartments in New York City or about 40% of the city's rental inventory. The legislation allows other municipalities to adopt similar regulations. The legislation was more aggressive than real estate industry groups expected and will likely lead to deterioration of apartments over time. Instead, the legislature should have focused on making it easier to develop new housing.

SCOREBOARD

PERFORMANCE	VTI	SPY	VXUS	AGG	\$	OIL
6/14/2019	US Market	SP500	Intl (x-US)	Bonds	US\$	Crude
Week	0.57%	0.56%	-0.52%	0.04%	0.68%	-2.32%
June 2019	4.93%	5.08%	2.24%	0.39%	0.16%	-1.36%
May 2019	-6.45%	-6.38%	-5.42%	1.91%	0.39%	-16.29%
April 2019	3.93%	4.09%	1.03%	-0.20%	0.18%	6.27%
March 2019	1.42%	1.81%	0.77%	2.12%	0.46%	5.11%
February 2018	3.56%	3.24%	1.63%	-0.11%	0.17%	0.07%
January 2019	8.54%	8.01%	7.67%	0.91%	-0.98%	18.78%
YTD	16.37%	16.31%	9.62%	5.13%	0.84%	16.20%
2018	-5.21%	-4.56%	-14.43%	0.10%	4.08%	-20.62%
2017	21.21%	21.70%	27.45%	3.61%	-7.81%	12.47%
2016	12.83%	12.00%	4.81%	2.41%	2.41%	33.48%
2015	0.36%	1.25%	-4.19%	0.48%	7.19%	-29.70%
2014	12.54%	13.46%	-4.74%	6.00%		-43.92%
2013	33.45%	32.31%	14.61%	-1.98%		0.47%

All returns include dividends. \$ is the Dow Jones FXCM Index. Oil is the S&P GSCI Crude Oil index.

RATES	3m	2-YR	10-YR	30-YR	2-10	HY OAS
6/14/2019	2.20%	1.84%	2.09%	2.38%	0.25%	4.24%
6/7/2019	2.28%	1.85%	2.09%	2.57%	0.24%	4.42%
5/31/2019	2.35%	1.95%	2.14%	2.58%	0.19%	4.36%
12/31/2018	2.45%	2.48%	2.69%	3.02%	0.21%	5.33%
12/31/2018	2.45%	2.48%	2.69%	3.02%	0.21%	5.33%
Δ for Week*	(8.00)	(1.00)	0.00	(19.00)	1.00	(18.00)
Δ for Month*	(15.00)	(11.00)	(5.00)	(20.00)	6.00	(12.00)
Δ for Quarter*	(25.00)	(64.00)	(60.00)	(64.00)	4.00	(109.00)
Δ YTD*	(25.00)	(64.00)	(60.00)	(64.00)	4.00	(109.00)

*Δ is measured in basis points; 2-10 refers to the spread between the 10 & 2-yr bonds.

HY OAS - Merrill Lynch US High Yield Option-Adjusted Spread.

Year	Earnings	SPX	P/E
2021 Estimate	204.93	2,886.98	14.09
2020 Estimate	186.26	2,886.98	15.50
2019 Estimate	166.69	2,886.98	17.32
2018	161.93	2,892.74	17.86
2017	132.00	2,604.47	19.73
2016	118.10	2,238.83	18.96
2015	117.46	2,043.94	17.40
2014	118.78	2,058.90	17.33
2013	109.68	1,848.36	16.85
2012	103.80	1,426.19	13.74
2011	97.82	1,257.60	12.86
2010	85.28	1,257.64	14.75
2009	60.80	1,115.10	18.34
2008	65.47	903.25	13.80
2007	85.12	1,468.36	17.25
2006	88.18	1,418.30	16.08
2005	76.28	1,248.29	16.36

Past performance does not guarantee future results.

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