

THE WEEK IN REVIEW

The market's focus for the week was on Treasury yields, oil, and the U.S. dollar, with all three moving higher. U.S. and international equities ended the week lower, as global trade uncertainty and higher interest rates weighed on prices. U.S. Treasury yields rose, with the 10-year Treasury closing the week at a yield over 3%, reaching levels not seen since 2011. Oil prices have surged in 2018, rising from approximately \$60 a barrel to well over \$70 a barrel, the highest level since 2014. The main drivers have been significant supply cuts by OPEC and the U.S re-imposing sanctions on Iran.

Turning to economic data, April inflation was mostly in line with expectations. Headline CPI increased 2.5% year over year, while core inflation (excluding food and energy) was flat at 2.1% year over year. The Fed is expected to make three to four rate hikes over 2018, targeting an inflation rate of 2%. We expect inflation will continue to rise as the labor market tightens and fiscal stimulus filters into the economy.

The U.S. economy continues to expand as industrial production was 0.7% higher in April than in March. The Philadelphia Fed Business Outlook Survey jumped in April with a reading of 34.4, beating the consensus expectation of 21. Retail sales in April increased modestly over March, showing 0.3% growth. The results indicate consumer spending appears to be rebounding well from weak data posted for December 2017.

According to the U.S. Commerce Department, housing starts in April dipped slightly versus March, as fewer apartment starts outweighed the increase in single-family starts. The home builders' report showed 163,000 homes were authorized for construction last month, up 20,000 homes from a year ago; still, home construction backlogs in April reached their highest level since 2008, indicating a lack of supply. Meeting this demand should assure a steady pace of home building ahead.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Retail Sales (YoY)	4.7%	3.8%	▲
Housing Starts (Millions Annualized)	1.287	1.334	▼
Leading Economic Indicators	0.4%	0.7%	▼
Industrial Production (M/M)	0.7%	-0.1%	▲
Jobless Claims (Thousands)	222	209	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24715.09	-0.47%	-0.02%	19.61%
NASDAQ	7354.34	-0.66%	6.53%	21.46%
S&P 500 Large Cap	2712.97	-0.54%	1.47%	14.68%
MSCI EAFE	2050.45	-0.46%	-0.02%	9.72%
Barclays Aggregate US	1986.16	-0.68%	-2.94%	-1.55%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.88%	1.81%	0.91%
10-Year Treasury	3.06%	2.87%	2.23%

REPORTS DUE NEXT WEEK	LATEST
Jobless Claims (Thousands)	222
Durable Goods Orders	2.6%
New Home Sales (Thousands)	694

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.