

THE WEEK IN REVIEW

The S&P 500 Index ended the week up 1.5% after shaking off concerns regarding potential trade war threats. U.S. Treasury bond prices posted small gains on the week, while U.S. crude oil prices traded in a range between \$72 and \$74 per barrel. The U.S. and China put levies on \$34 billion of each other's exports, the first tangible development in an escalating trade dispute between the two countries. Many observers have noted that further tariff actions could significantly impact global growth.

The June jobs report released today revealed U.S. employers added 213,000 non-farm payrolls, more than the consensus estimate of 195,000. Revised figures showed employers added 244,000 jobs in May and 175,000 in April, a net total upward revision of 37,000. U.S. employers have now added to payrolls for 93 consecutive months, the longest jobs expansion on record. The unemployment rate ticked up to 4.0% from an 18-year low of 3.8% in May. The increase was driven in part by 601,000 Americans entering the labor force and not all finding jobs. Average hourly earnings increased by 0.2% on a month-over-month basis and 2.7% on a year-over-year basis. Many employers continue to struggle to find qualified workers, which could push wage growth higher in the future.

The ISM Business Survey Committee released data indicating manufacturing activity expanded more than forecast in June to an index level of 60.2, which was the second highest level since 2004. Readings above 50 indicate an expansion in manufacturing. The report noted that demand remains robust, but labor shortages and supply chain disruptions have lengthened lead times as manufacturers and transportation struggle to keep up with demand. The report noted how respondents "are overwhelmingly concerned about how tariff activity is and will continue to affect their business."

On Thursday, the Federal Open Market Committee released the minutes from its June meeting. The Committee stated it is on track for two more quarter-point rate hikes in 2018, noting a tightening labor market and an increase in household spending. Inflation forecasts were adjusted higher, but members seemed confident of a sustained inflation trajectory at their 2.0% target. Some members expressed concerns regarding trade policy and yield curve flattening as the spread between short-term and long-term rates continues to narrow. Historically, yield curve inversion has been a reliable indicator of an economic slowdown in the subsequent six to eighteen months.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing	60.2	59.3	▲
Non-Farm Payrolls	213000	155000	▲
Unemployment Rate	4.0%	4.1%	▼
Trade Balance (\$ billions)	-43.1	-55.5	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24456.48	0.76%	-1.06%	14.71%
NASDAQ	7688.39	2.37%	11.37%	26.26%
S&P 500 Large Cap	2759.82	1.52%	3.22%	14.53%
MSCI EAFE	1954.39	-0.22%	-4.70%	3.81%
Barclays Aggregate US	2015.82	0.13%	-1.49%	-0.01%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.94%	1.93%	1.03%
10-Year Treasury	2.82%	2.97%	2.37%

REPORTS DUE NEXT WEEK	LATEST
NFIB Small Business Optimism	107.8
Core Consumer Price Index (YoY)	2.2%
U. of Mich. Consumer Sentiment	98.2
JOLTS Job Openings (Millions)	6.698

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