



THE WEEK IN REVIEW

Domestic stocks continued to experience a tug of war this week between positive news (robust earnings growth and strong economic data) and negative news (trade disputes with China and to a lesser extent the European Union). Wall Street analysts are forecasting second quarter earnings growth of 22% for S&P 500 companies, marking a third consecutive quarter of double-digit earnings growth. Well-received earnings results from Bank of America, BlackRock, and Morgan Stanley propelled the S&P 500 financial sector to a weekly gain of more than 2.0%. New trade dispute developments included President Trump threatening tariffs on all \$500 billion of goods imported from China and the European Union's assertion that it will retaliate with tariffs on U.S. goods if President Trump imposes tariffs on European vehicles.

Federal Reserve Chairman Jerome Powell delivered the semi-annual Monetary Policy Report to Congress on Tuesday and Wednesday. In his testimony, Chairman Powell said the economy was "considerably stronger" in the second quarter than the first quarter which supports the Fed's plan to continue gradually raising interest rates. The majority of Fed officials forecast two additional rate increases this year and at least three next year.

Retail sales year-over-year growth reached a five-year high of 6.6% in June. Stronger retail sales were driven by higher sales for gasoline stations, vehicles, and building materials. The acceleration in retail sales suggests consumer spending strengthened in the second quarter which should contribute to stronger economic growth. Following the retail sales report, the Federal Reserve Bank of Atlanta increased its second quarter forecasts for consumer spending to 3.1% from 2.7% and overall second quarter annualized GDP growth to 4.5% from 3.9%.

China's economy grew 6.7% in the second quarter, which was slightly weaker than first quarter growth of 6.8%. Slower growth was partially attributed to President Xi Jinping's initiative to contain debt and reduce financial risks which weakened investment in infrastructure and factories. China appears to be shifting away from this initiative in order to support growth amid the trade dispute with the U.S. In recent weeks, the Chinese government has encouraged banks to lend more and has approved railway projects that were previously halted due to the initiative to contain debt. Economists estimate the trade conflict could reduce China's economic growth by 0.2%-0.5% in the next 12 months.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Retail Sales (YoY)	6.6%	5.1%	▲
Housing Starts (Millions Annualized)	1.173	1.327	▼
Building Permits (Millions Annualized)	1.273	1.377	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25058.12	0.15%	1.37%	15.95%
NASDAQ	7820.20	-0.07%	13.28%	22.38%
S&P 500 Large Cap	2801.83	0.02%	4.80%	13.28%
MSCI EAFE	1970.94	-0.09%	-3.89%	1.71%
Barclays Aggregate US	2021.15	-0.03%	-1.23%	-0.47%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.97%	1.92%	1.14%
10-Year Treasury	2.83%	2.94%	2.26%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Millions Annualized)	5.43
New Home Sales (Thousands Annualized)	689
Durable Goods Orders	-0.4%
GDP (QoQ Annualized)	2.0%
U. of Mich. Consumer Sentiment	97.1

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