

THE WEEK IN REVIEW

U.S. stocks suffered their worst week of the year leading up to an increase in tariffs from 10% to 25% on \$200 billion of Chinese goods to take effect overnight leading into Friday. The S&P 500 and Dow Jones Industrial Average ended the week down 2.18% and 2.12%, respectively. The regression of the U.S. and China trade talks caught markets around the world by surprise, and led to declines in global stocks and commodities as investors gauged a potential pullback in global economic activity.

The tariffs are estimated to affect over 5,000 items; the majority includes capital and intermediate goods, such as automotive parts, machinery, circuit boards, and microprocessors. The tariffs will also affect an estimated \$40 billion in consumer goods. Shares of companies reliant on global trade, such as semiconductor and industrial companies, came under pressure throughout the week. The S&P 500 semiconductor and machinery industry groups declined 6.6% and 4.3% on the week, respectively.

Investors remain concerned that a continued trade war will hurt businesses and consumers by passing on higher input costs. Oxford Economics estimated the recent tariff hikes will reduce U.S. GDP by 0.3% in 2020, while slashing China's GDP by 0.8%. Despite the negative sentiment, some investors remain optimistic a deal will be reached. In the meantime, Chinese officials seem poised to continue stimulus measures to support growth in China's economy. On Monday China's central bank announced it would cut reserve requirement ratios to issue approximately 280 billion yuan (\$41 billion) to small- and medium-sized banks.

In April, inflation in the U.S. ticked higher, led by higher rent and gas prices, and the consumer price index rose 0.3%. Annualized inflation rose to 2.0%, up from 1.9% in March. Rents climbed an annualized 3.8%, and gas prices rose a seasonally adjusted 5.7%. The increases were partially offset by a small decline in food prices. Data released this week suggest the domestic labor market remains healthy. The number of U.S. job openings rose to 7.49 million in March, near the all-time high of 7.63 million last November. Layoffs remained low as 228,000 initial jobless claims were reported for the week of May 4, down 2,000 from the prior week.

ECONOMIC INDICATOR	LATEST	3MO PRIOR CHANGE	
Consumer Price Index (YoY)	2.1%	1.6%	▲
Initial Jobless Claims (Thousands)	228	230	▼
Trade Balance (\$ Billions)	-50.1	-59.9	▲
JOLTS Job Openings (Millions)	7.488	7.479	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25942.37	-2.12%	11.21%	4.86%
NASDAQ	7916.94	-3.03%	19.32%	6.91%
S&P 500 LargeCap	2881.40	-2.18%	14.94%	5.81%
MSCI EAFE	1860.04	-3.06%	8.15%	-8.99%
Bbg Barclays Aggregate US	2111.74	0.27%	3.18%	5.66%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.42%	2.42%	2.41%	1.88%
10-Year Treasury	2.47%	2.53%	2.46%	2.96%

REPORTS DUE NEXT WEEK	LATEST
U. of Mich. Consumer Sentiment	97.2
Retail Sales (MoM)	1.6%
Industrial Production (MoM)	-0.1%

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