

THE WEEK IN REVIEW

Even with markets closed on Monday in honor of Memorial Day, the S&P 500 still posted its worst week of 2019, falling 2.6% and capping off the worst month of the year for U.S. equities. On Thursday, President Trump threatened to impose tariffs in 5% increments on all Mexican imports each month until reaching 25% in October in order to combat the influx of drugs and illegal immigrants into the U.S. While most of May's poor stock performance can be linked to the trade battle between the U.S. and China, President Trump's newest trade policy was clearly a factor in today's slide.

American automakers stand to take the biggest hit from the new trade policy. Mexico is the largest source of U.S. auto parts, and the imported value of certain types of vehicles last year totaled about \$68 billion. The trade battles and tariffs have impacted global growth concerns, resulting in investors flocking to Treasuries. The U.S. 10-year Treasury note fell to 2.13% in early trading today. Additionally, May will be the first month to end with the 10-year and 3-month curve still inverted. Today the yield curve inversion between the 10-year Treasury note and the 3-month Treasury bill widened to 21 basis points, its deepest level since 2007.

U.S. economic growth last quarter was revised down less than expected amid stronger consumption and exports than initially reported. Inflation-adjusted gross domestic product (GDP) increased at a 3.1% annualized rate in Q1, compared with an initial report of 3.2% and analysts' estimates for a revision to 3.0%, according to Commerce Department data. The decrease was the result of downward revisions to nonresidential fixed and private inventory investment. The new numbers also reflect upward revisions to exports and personal consumption expenditures. Exports rose 4.8% amid the increasingly bitter trade war between the U.S. and China, while imports, which are a subtraction from GDP, declined 2.5%.

The personal consumption expenditures (PCE) price index increased a seasonally adjusted 0.3% in April from March, according to Commerce Department data. That came on the heels of March's boom, the best monthly increase since 2009. Personal income growth is one factor that has been driving spending as Americans' earnings advanced 0.5% in April. Consumer sentiment also remained strong in May, according to a separate survey from the University of Michigan.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
GDP (QoQ Annualized)	3.1%	2.2%	▲
Personal Income (YoY)	3.9%	4.0%	▼
Personal Spending (YoY)	4.3%	3.9%	▲
Core PCE Price Index (YoY)	1.6%	1.8%	▼
U. of Mich. Consumer Sentiment	100.0	93.8	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24815.04	-3.01%	6.38%	1.64%
NASDAQ	7453.15	-2.41%	12.33%	0.15%
S&P 500 LargeCap	2752.06	-2.62%	9.78%	1.73%
MSCI EAFE	1825.98	-1.47%	6.17%	-8.06%
Bbg Barclays Aggregate US	2135.92	0.50%	4.36%	5.96%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.34%	2.34%	2.41%	1.89%
10-Year Treasury	2.13%	2.32%	2.50%	2.86%

REPORTS DUE NEXT WEEK	LATEST
ISM Manufacturing	52.8
ISM Non-Manufacturing	55.5
Durable Goods Orders	-2.1%
Unemployment Rate	3.6%
Non-Farm Payrolls (Thousands)	263

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