

THE WEEK IN REVIEW

U.S. equity markets gave back some gains in the final week of the second quarter, but nonetheless staged a strong rebound in June following a disappointing May. The Dow Jones Industrial Average posted its best June performance in over half a century with a return of 7.2%, while the S&P 500 and Nasdaq advanced 6.9% and 7.4%, respectively. In commodities, the combination of declining U.S. crude oil stockpiles and additional sanction threats imposed by the Trump Administration on Iran earlier this week sent the price of oil to a five-week high near \$58.00 per barrel. Turning to precious metals, the ongoing trade and tariff tensions and market expectations of interest rate cuts in the second half of 2019 from the U.S. Federal Reserve have driven gold prices to multi-year highs above \$1,400 per ounce.

President Trump has not agreed to any preconditions for his meeting with Chinese President Xi Jinping this weekend and is maintaining his threat to impose new tariffs on Chinese goods. Xi plans to present Trump with a set of terms he wants the U.S. to meet before Beijing is ready to settle their trade confrontation. Among the preconditions for a trade agreement, Beijing insists the U.S. remove its ban on the sale of technology components to Huawei. Beijing also wants the U.S. to lift all punitive tariffs and drop efforts to get China to buy even more U.S. exports.

U.S. consumer spending increased moderately in May and prices rose slightly, pointing to slowing economic growth and benign inflation pressures. The Commerce Department report came just a week after the Fed signaled it could ease monetary policy as early as next month, citing low inflation and growing risks to the economy from an escalation in trade tensions between the U.S. and China. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose 0.4% as households boosted purchases of motor vehicles and spent more at restaurants.

The final reading of U.S. GDP for the first quarter was released this week and was unrevised from previous estimates. The report showed a solid 3.1% growth rate for the U.S. economy during the first three months of the year. As mentioned above, consumer spending was a large contributor along with increased government spending and stronger business investment than previously estimated.

| ECONOMIC INDICATOR | LATEST | 3MO PRIOR | CHANGE |
|--|--------|-----------|--------|
| S&P CoreLogic Case-Shiller U.S. HPI (YC) | 3.5% | 4.2% | ▼ |
| New Home Sales (Thousands Annualized) | 626 | 669 | ▼ |
| Conf. Board Consumer Confidence | 121.5 | 124.2 | ▼ |
| Core PCE Price Index (YoY) | 1.6% | 1.7% | ▼ |

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|-----------------------|----------|--------|--------|--------|
| DJ Industrial Average | 26599.96 | -0.45% | 14.03% | 9.84% |
| NASDAQ | 8006.25 | -0.32% | 20.66% | 6.70% |
| S&P 500 Large Cap | 2941.76 | -0.29% | 17.35% | 8.30% |
| MSCI EAFE | 1913.83 | 0.14% | 11.28% | -1.30% |
| Barclays Aggregate US | 2170.54 | 0.38% | 6.06% | 7.85% |

| KEY BOND RATES | WEEK | 1MO AGO | 1YR AGO |
|------------------|-------|---------|---------|
| 3-Month T-Bill | 2.09% | 2.34% | 1.91% |
| 10-Year Treasury | 2.01% | 2.27% | 2.84% |

| REPORTS DUE NEXT WEEK | LATEST |
|-----------------------|--------|
| ISM Manufacturing | 52.1 |
| ISM Non-Manufacturing | 56.9 |
| Non-Farm Payrolls | 75,000 |
| Unemployment Rate | 3.6% |

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