

THE WEEK IN REVIEW

U.S. equities ended the week higher after a temporary truce in the U.S.-China trade war. The S&P 500 closed for the week up 1.7%, while the Dow Jones increased 1.2%. The 10-year Treasury closed the week at 2.04%. In commodities markets, U.S. crude oil prices declined roughly 1.5%, while gold fell 0.7% after surging nearly 8% in June.

At the G20 Summit in Japan last weekend, the U.S. and China agreed to hold off imposing new tariffs and open up negotiations. The U.S. agreed to continue selling components to Huawei, while China indicated it would continue to buy U.S. agricultural products. President Trump stated the current 25% tariffs on \$250 billion of Chinese products will not be reduced.

Domestic manufacturing continued to slow as the ISM Manufacturing Index level for June came in at 51.7, down from 52.1 in the prior month. Growth in output and employment was offset by a decrease in new orders. This is the lowest level since October 2016. A reading over 50 is considered expansionary, while a reading under 50 is contractionary.

The widely anticipated June non-farm payrolls report showed a resilient U.S. economy added 224,000 jobs last month with broad-based gains across all major industries except retail. Following a disappointing revised May number of 72,000 net jobs, the June report exceeded the top end of the forecast range from a Bloomberg survey of economists. It brought the three-month average job gains figure to 171,000, compared to a three-month average of 243,000 for April, May and June of 2018. The unemployment rate edged up to 3.7% from 3.6%, nudged higher by an increase in the labor force participation rate to 62.9% from 62.8% in May. Hourly wages for private sector workers increased by 0.2% to 3.1% on a year-over-year basis, remaining below the cycle peak of 3.4% reached in February.

Signs of recent labor market strength caused market participants to reevaluate the case for multiple quarter-point rate cuts by the Fed's policy-setting body in the second half of 2019. According to the Fed fund futures market, the probability of a 0.25% cut in the Fed's benchmark rate at its upcoming July meeting remains almost certain at 98.5%. Yet, the probability of 0.50% of cuts by the FOMC's September meeting declined from 84.3% on Tuesday to 73.2% Friday afternoon.

ECONOMIC INDICATOR	LATEST 3MO PRIOR CHANGE		
ISM Manufacturing	51.7	55.3	▼
ISM Non-Manufacturing	55.1	56.1	▼
Non-Farm Payrolls (Thousands)	224	215	▲
Unemployment Rate	3.7%	3.8%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	26922.12	1.21%	15.41%	11.36%
NASDAQ	8161.79	1.94%	23.01%	8.79%
S&P 500	2990.59	1.66%	19.30%	10.22%
MSCI EAFE	1949.70	1.43%	13.36%	-0.24%
Bbg Barclays Aggregate US	2178.51	0.31%	6.45%	8.12%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	2.22%	2.34%	1.94%
10-Year Treasury	2.04%	2.13%	2.83%

REPORTS DUE NEXT WEEK	LATEST
NFIB Small Business Optimism	105.0
Consumer Price Index (YoY)	1.8%
JOLTS Job Openings (Millions)	7.449
Initial Jobless Claims (Thousands)	221

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