

July 1, 2019

Weekly Viewpoint

Deal or No Deal?

Performance for Week Ending 6.28.19

The Dow Jones Industrial Average (Dow) lost 0.45%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) fell 0.20%, the Standard & Poor's 500 Index (S&P 500) dipped 0.29% and the Nasdaq Composite Index (NASDAQ) shed 0.32%. Sector breadth was negative with 7 of the 11 S&P sector groups finishing lower. The Real Estate sector (-2.73%) was the worst performer while Materials (+1.47%) and Financials (+1.47%) were the best.

Index*	Closing Price 6/28/2019	Percentage Change for Week Ending 6/28/2019	Year-to-Date Percentage Change Through 6/28/2019
Dow	26599.96	-0.45%	+14.03%
Wilshire 5000	30259.14	-0.20%	+17.52%
S&P 500	2941.76	-0.29%	+17.35%
Nasdaq	8006.25	-0.32%	+20.66%

Market Observations: 6/24/19–6/28/19

The major market indices finished the week modestly lower as uncertainty heading into the weekend G20 meeting, where President Trump and Chinese President Xi are scheduled to meet to discuss the trade situation, kept many investors tethered to the sidelines. While the likelihood the two leaders will find a resolution at the conclusion of the meeting seems low, a more realistic outcome would be a commitment to declare a 'cease-fire' on implementing additional tariffs and to keep the talks moving forward. This 'kick the can down the road' outcome is widely expected and would likely be viewed as a favorable step in the right direction. Whereas, a breakdown or setback in talks could set the stage for a correction in prices, especially amongst the most trade sensitive sectors like Technology, Industrials, and Materials.

Mixed Message: Heading into the G20 summit, President Trump said he thinks it will be a productive meeting, although he didn't promise not to issue new tariffs. In a separate commentary Trump said it was "absolutely possible" to avoid imposing additional tariffs on imported Chinese goods, but added he was "very happy where we are now." It appears with the US economy on solid footing, the stock market near all-time highs and the Fed indicating they are ready to reduce rates, there is little sense of urgency on the part of the US to reach an agreement.

May Swoon Followed by June Boom: While a collapse in trade talks led to a sharp drawdown during the month of May, a thawing in trade tensions and a dovish shift by the Federal Reserve led to a solid rebound during June. For the month, the S&P 500 added 6.89%, the Dow gained 7.19%, and the Nasdaq Composite tacked on 7.42%. Trade sensitive sectors led the gains during the month with Materials adding 11.48% and Technology gaining 9.05%. Energy also had a strong showing (+9.07%) as geopolitical tensions with Iran led to a 13.3% surge in the price of oil off the June 12 trough.

The Week Ahead: The U.S. financial markets will be closed on Thursday in observance of the Fourth of July. The U.S. stock exchanges and bond markets will also close early on Wednesday at 1:00 p.m. Eastern Time. The focal point of the data calendar will come on Friday with the release of the June Payroll data. Last month, nonfarm payrolls came in at a disappointing 75K, although according to Bloomberg, economists expect a rebound to 160K during June. The unemployment rate is expected to hang steady at 3.6% while average hourly earnings are expected to grow at a 3.2% year-over-year pace (up from 3.1% last month). Other data points of interest include; the June Institute for Supply Management (ISM) manufacturing index, May construction spending, the July ADP employment report, and the ISM non-manufacturing index. The Fed speaking calendar will be relatively light with just three speeches on the calendar including Fed Vice Chair Clarida on Monday afternoon.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Wilshire 5000 Total Market IndexSM represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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