WEEKLY MARKET WRAP

REVIEW & PREVIEW

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The U.S. Equity Market (S&P 500) gained 0.14% for the week as growth stocks continued its year-to-date dominance over value stocks. The spike in global interest rates and the recent approval of bank institutions' capital plans have fueled a multi-week rally in financial stocks, which ended the week as the best performing sector. For domestic fixed income, all sectors, except preferred securities, posted negative total returns. U.S. 10-Year Treasury yields rose 9 basis points to their highest level since May. The Global Aggregate Index posted a negative total return, but outperformed similar-duration Treasuries, led by the corporate sector.

- **Economic Data:** Manufacturing activity expanded at the fastest pace in nearly three years in June and the *ISM Manufacturing Index* rose to 57.8 in June, easily beating the consensus expected 55.3. The *trade deficit* declined in May, coming in at $46.5 billion, a slightly larger trade deficit than the consensus expected. Service sector activity picked up the pace in June, with the *ISM non-manufacturing* index reporting a strong reading of 57.4, which was above the consensus expected 56.5. *Nonfarm payrolls* increased 222,000 in June, beating the consensus expected 178,000. Including revisions to April/May, nonfarm payrolls were up 269,000.
- **Equity**: The S&P 500 started up 0.14% for the third quarter as the index felt the positive effects of investors' positive sentiment after payroll gains underscored the Federal Reserve's case for raising interest rates. Financial stocks were the best performing sector in the S&P 500 as the group rode the momentum of optimistic news outlined in the Fed's June minutes. The Stoxx Europe 600 ended roughly flat while WTI Crude Oil fell 3.9% in a volatile week of trading, as bearish news and supply side data dragged prices lower.
- **Fixed Income:** Following an extended period of flattening, the yield curve steepened last week. Contributing to higher yields on longer dated Treasuries was the release of June's U.S. Federal Reserve meeting minutes. U.S. 10-Year Treasury yields rose 9 basis points to their highest level since May and all domestic sectors, except preferred securities, posted negative total returns. However, all sectors outperformed similar-duration Treasuries as spreads narrowed for all sectors except high yield corporates. Economist consensus is that the Fed will begin reducing its balance sheet in September with an additional rate hike in December. The Global Aggregate Index posted a negative total return, but outperformed similar-duration Treasuries, led by the corporate sector.
- **Corporate Earnings:** As of July 7, the S&P 500 is expected to report earnings growth of 6.5% for the 2nd quarter, but based on historical trends, the actual growth could be closer to 9.5%.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	-0.37%	-0.37%	1.90%
Barclays Global Aggr Bond	-0.74%	-0.74%	3.63%
Barclays US Corp High Yield	-0.24%	-0.24%	4.68%
JPM Emerging Mkts Bond	-0.87%	-0.87%	5.28%
S&P Equity 500	0.14%	0.14%	9.49%
Russell 3000 All Cap	0.08%	0.08%	9.02%
Russell 2000 Small Cap	0.05%	0.05%	5.04%
NASDAQ Composite	0.23%	0.23%	14.97%
S&P Global BMI	-0.20%	-0.20%	11.52%
MSCI EAFE	-0.47%	-0.47%	13.27%
MSCI EAFE Small Cap	-0.88%	-0.88%	15.69%
MSCI Emerging Markets	-0.61%	-0.61%	17.71%

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