



# WEEKLY MARKET WRAP

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The Federal Open Market Committee (FOMC) raised its policy rate 0.25% on Wednesday to a range of 1.75-2.00%, citing a strong U.S. economy and rising inflation. Longer-dated U.S. Treasury yields fell slightly while the short end rose and the yield curve flattened significantly. The U.S. equity market fell for the first time in four weeks as the escalation of global trade tension capped off a busy week of headlines. Global equity markets were mixed with the Pan-European Euro STOXX 50 Index up 1.7% after the European Central Bank (ECB) announced the intention to halt its bond-buying program by the end of the year.

- Economic Data:** U.S. industrial production declined 0.1% in May. The consensus expected a gain of 0.2%. Mining output increased 1.8% in May, while utilities rose 1.0%. However, Euro area industrial production printed at -0.9% in April, after a reading of +0.6% for the month of March. The Producer Price Index (PPI) increased 0.5% in May, coming in well above the consensus expected rise of 0.3%. Producer prices are up 3.1% versus a year ago. Energy prices rose 4.6% in May, while food prices rose 0.1%. Producer prices excluding food and energy increased 0.3% in May and are up 2.4% in the past year. Consumers are feeling great and retail sales rose 0.8% in May, beating the consensus expected 0.4% gain. Retail sales are up 5.9% versus a year ago.
- Equity:** The S&P 500 Index was mostly flat, with utilities and consumer discretionary stocks as the leading sectors. Global equity markets were mixed with the Pan-European Euro STOXX 50 Index up 1.7% after the European Central Bank (ECB) announced the intention to halt its bond-buying program by the end of the year. The euro sold off after the ECB's comments, and the U.S. Dollar Index rallied and closed up 1.3%.
- Fixed Income:** The Federal Open Market Committee (FOMC) raised its policy rate 0.25% on Wednesday to a range of 1.75-2.00%, citing a strong U.S. economy and rising inflation. Longer-dated U.S. Treasury yields fell slightly while the short end rose and the yield curve flattened significantly. The yield difference between 10- and 2-year Treasuries fell to their lowest levels since August 2007. Credit sectors delivered solid returns and most domestic sectors outpaced the Treasury market. High yield corporate bonds outperformed for the second consecutive week. The European Central Bank announced its planned wind down of asset purchases through 2018 and pledged not to raise interest rates until after the summer of 2019.
- Political and Policy News:** The Trump administration enacted \$50 billion in tariffs on Chinese exports to the U.S. In response, China plans to charge a 25% tariff on roughly the same dollar amount of goods from the U.S.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Agg Bond TR	0.13%	-0.49%	-1.94%
Barclays US Corp High Yield TR	0.45%	1.61%	0.73%
Barclays Global Aggregate TR	-0.30%	-3.03%	-1.71%
JPM EMBI Global TR	-0.58%	-3.64%	-5.36%
S&P 500 TR	0.07%	5.73%	4.92%
Russell 3000 TR	0.13%	6.22%	5.54%
Russell 2000 TR	0.72%	10.35%	10.26%
NASDAQ Composite TR	1.34%	9.94%	12.78%
S&P Global BMI NR	-0.36%	2.98%	2.09%
MSCI EAFE NR	-0.49%	0.77%	-0.77%
MSCI EAFE Small Cap NR	-0.89%	0.99%	1.24%
MSCI Europe NR	-0.24%	0.48%	-1.51%
MSCI EM NR	-1.85%	-4.42%	-3.07%

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