



# WEEKLY MARKET WRAP

June 5, 2018

VOLUME 25, ISSUE 17

Volatility spiked, Eurozone political risk returned and the U.S. announced tariffs on imports from China, the EU and NAFTA partners. The S&P 500 index was up while the S&P Global BMI was down -0.04%. Concerns about Italy also pressured European stocks more broadly; the FTSE 100 and Stoxx Europe 600 fell 0.3% and 0.9%, respectively. U.S. Treasury markets fluctuated wildly due to geopolitical disruptions, such as U.S. trade policies and Italian political turmoil. Global investors crowded to Treasuries, seeking relative safety amid the global policy uncertainties. U.S. and Global fixed income indices were up slightly, while emerging market fixed income indices were down.

- Economic Data:** *Real GDP growth* for the first quarter was revised modestly lower primarily due to slower growth of inventories. However, the “mix” of growth is now more favorable for a pickup in future quarters. *Personal income* rose 0.3% in April, matching consensus expectations. *Personal consumption* increased 0.6% in April, coming in above the consensus expected rise of 0.4%. Personal income is up 3.8% in the past year, while spending is up 4.7%. On the inflation front, the *PCE deflator* rose 0.2% in April and is up 2.0% in the past year. The U.S. labor market grew stronger across the board as *nonfarm payrolls* rose 223,000 in May, beating the expected 190,000. The *unemployment rate* dropped to 3.8% in May, tying the lowest level since 1969. The manufacturing sector is having its best year since 2004 and the *ISM Manufacturing Index* rose to 58.7 in May, beating the consensus expected 58.2.
- Equity:** Eurozone political risk returned and the U.S. announced tariffs on imports from China, the EU and NAFTA partners. Despite increased volatility, the S&P 500 Index returned 0.54% for the week and 2.41% for the month, showing its best performance since January’s 5.73%. Concerns about Italy also pressured European stocks more broadly. The FTSE 100 and Stoxx Europe 600 fell -0.3% and -0.9%, respectively.
- Fixed Income:** U.S. Treasury markets fluctuated wildly due to geopolitical disruptions, such as U.S. trade policies and Italian political turmoil. On Tuesday, the 10-year Treasury notes’ decline of 15.9 bps, on Tuesday, was the largest single-day drop since Britain’s vote to leave the EU. Global investors flocked to Treasuries, seeking relative safety amid the global policy uncertainties. In the Euro area, Italy’s political uncertainty drove yields to a four-year high of 3.07% over concerns about the country’s ability to form a new government.
- Political and Policy News:** Trade tensions increased as U.S. announced tariffs on \$50B of Chinese imports, as well as steel and aluminum tariffs on imports from Canada, Mexico and EU. U.S. trading partners announced retaliatory tariffs.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Agg Bond TR	0.16%	-0.39%	-1.85%
Barclays US Corp High Yield TR	0.07%	0.71%	-0.15%
Barclays Global Aggregate TR	0.06%	-2.68%	-1.36%
JPM EMBI Global TR	-0.84%	-2.83%	-4.57%
S&P 500 TR	0.54%	3.93%	3.14%
Russell 3000 TR	0.63%	4.29%	3.62%
Russell 2000 TR	1.32%	7.93%	7.84%
NASDAQ Composite TR	1.65%	7.17%	9.95%
S&P Global BMI NR	-0.04%	2.02%	1.15%
MSCI EAFE NR	-1.00%	0.30%	-1.23%
MSCI EAFE Small Cap NR	-0.86%	0.52%	0.76%
MSCI Europe NR	-0.85%	0.27%	-1.72%
MSCI EM NR	-0.51%	-3.14%	-1.77%

Robert Klefsaas, CFP®, AIF®, CFDA®	CEO, Sr. Wealth Manager
Brian Senske, MA	CFO, COO, Sr. Wealth Mgr
J. Alexander Källebo, CFA®	Portfolio Manager
Matt Berhow CFP®, AIF®	Senior Wealth Manager
David Osterberg, CPA	Tax Advisor
Brady Mickolichek CFP®	Associate Wealth Manager
Paula Zilka	Operations Manager
Kaitlin Buckley	Client Service Associate
Ashley Kading	Executive Assistant
Bill Ristvedt	PCWM
Zhaoren Chen	Portfolio Analyst
Claudia Scroggins	Tax Assistant
Tobias Gabrielsen	Intern #100

Advisory services are offered through All Star Financial, a SEC Registered Investment Advisor.

