



# WEEKLY MARKET WRAP

July 10, 2018

VOLUME 25, ISSUE 22

Domestic equities regained some ground after two weeks of downward pressure and the S&P 500 ended the week up 1.6%, with the technology and health care sectors leading the way. Abroad, the Euro Stoxx 600 and FTSE 100 both edged higher 0.7% and lower 0.2%, respectively. In Asia, TOPIX closed the week down 2.3% in response to the U.S. tariffs on \$34 billion of Chinese goods. Fixed income indices ended positive for the week both domestic and internationally. Emerging market debt rebounded from recent underperformance and the JPM EMBI Global index delivered the strongest returns out of the major fixed income indices.

- Economic Data:** In the first half of 2018, the service sector had its second-best start to a year, only 2004 was better, since reporting began in late 1997 as the *ISM Manufacturing Index* rose to 60.2 in June, beating the consensus expected 58.5. *The ISM non-manufacturing index* rose to 59.1 in June, beating the consensus expected 58.3. Through June, the *ISM manufacturing index* has averaged a healthy reading of 59.2. This was also the best first-half average since 2004. We had another strong report on the U.S. labor market and *nonfarm payrolls* rose 213,000 in June beating consensus expected 195,000. Noteworthy is that the labor force increased 601,000 and the participation rate moved up to 62.9% in June, near the higher end of its past 4 year range. *Average hourly earnings* increased 0.2%, keeping annual hourly earnings at 2.7%. *U.S. unemployment rate* rose to 4.0% in June from an 18-year low of 3.8%, mainly due to the increase in the workforce. The trade deficit fell to a 19-month low in May, coming in at \$43.1B versus the consensus expected \$43.6B.
- Equity:** Despite lingering trade angst, U.S. equities rallied last week following the release of data showing stronger jobs growth for June. The S&P 500 ended the week up 1.6%, with the technology and health care sectors leading the way. The Euro Stoxx 600 and FTSE 100 both edged higher 0.7% and lower 0.2%, respectively. In Asia, TOPIX closed the week down 2.3% in response to the U.S. tariffs on \$34 billion of Chinese goods. After its best quarter of performance since 2016, up 5.2%, the dollar fell slightly, 0.5%.
- Fixed Income:** U.S. Treasury yields ended last week generally lower and the yield curve continued to flatten, now at its flattest level in almost 11 years. Preferred and investment grade corporate sectors finished the week strong while high yield corporates posted the weakest performance. Globally, emerging market debt rebounded from recent underperformance to deliver the strongest returns of the week.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Agg Bond TR	0.24%	0.24%	-1.38%
Barclays US Corp High Yield TR	0.01%	0.01%	0.17%
Barclays Global Aggregate TR	0.48%	0.48%	-0.99%
JPM EMBI Global TR	1.25%	1.25%	-4.04%
S&P 500 TR	1.56%	1.56%	4.25%
Russell 3000 TR	1.72%	1.72%	4.99%
Russell 2000 TR	3.12%	3.12%	11.02%
NASDAQ Composite TR	2.40%	2.40%	11.99%
S&P Global BMI NR	0.93%	0.93%	0.67%
MSCI EAFE NR	0.57%	0.57%	-2.20%
MSCI EAFE Small Cap NR	-0.69%	-0.69%	-2.00%
MSCI Europe NR	1.40%	1.40%	-1.88%
MSCI EM NR	-0.71%	-0.71%	-7.32%

Robert Klefsaas, CFP®, AIF®, CFDA®  
 Brian Senske, MA  
 J. Alexander Källebo, CFA®  
 Matt Berhow CFP®, AIF®  
 David Osterberg, CPA  
 Brady Mickolichuk CFP®  
 Paula Zilka  
 Kaitlin Buckley  
 Ashley Kading  
 Bill Ristvedt  
 Zhaoren Chen  
 Claudia Scroggins  
 Tobias Gabrielsen

CEO, Sr. Wealth Manager  
 CFO, COO, Sr. Wealth Mgr  
 Portfolio Manager  
 Senior Wealth Manager  
 Tax Advisor  
 Associate Wealth Manager  
 Operations Manager  
 Client Service Associate  
 Executive Assistant  
 PCWM  
 Portfolio Analyst  
 Tax Assistant  
 Intern #100

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

