



WEEKLY MARKET WRAP

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Escalating global trade conflict concerns led to increased volatility and a risk-off sentiment. Global equity markets fell for much of the week, led by technology stocks. Energy stocks outperformed as oil prices rallied on prospects of reduced supply. Domestically, the broad S&P 500 Index was down -1.31%, in Europe, the Stoxx 600 was down 1.3% and emerging markets (MSCI EM NR) also declined, -1.46%. Increased geopolitical concerns led to a risk-off environment and for investors to seek the perceived safety of Treasuries, causing Treasury prices to rise and yields slipped to one-month lows. Both the Barclays U.S. and Global Aggregate indices had positive returns.

- Economic Data:** *Real GDP* grew at a 2.0% annual rate in Q1 versus last month's estimate of 2.2% and the initial reading of 2.3%. The downward revision was due to a smaller inventory build than originally expected, lower net exports and slower growth in consumer spending on services. *Personal income* rose 0.4% in May, matching consensus expectations. *Personal consumption* increased 0.2% in May, lagging the consensus expected rise of 0.4%. *Personal income* is up 4.0% in the past year, while *spending* is up 4.6%. *Disposable personal income* (income after taxes) rose 0.4% in May and is up 4.0% from a year ago. On the inflation front, the *Personal Consumption Expenditures* (PCE) deflator rose 0.2% in May and is up 2.3% in the past year. "Core" prices are up 2.0% in the past year, the first time the core index has touched 2.0% on a twelve-month basis in more than six years. *New orders for durable goods* declined 0.6% in May, beating the consensus expected decline of 1.0%. *New single-family sales* surprised on the upside and increased 6.7% in May to a 689,000 annual rate, which was the second highest level since 2007. Sales are up 14.1% from a year ago.
- Equity:** The U.S. equity market fell for the second consecutive week on further escalation of U.S.-China trade concerns. The best performing sectors were defensively viewed sectors such as utilities and telecom, while the worst performing sectors were technology and consumer discretionary. Oil rose 8% on strong demand, disruption from a major Canadian oil producer and speculation that Iran sanctions would drive up the price.
- Fixed Income:** U.S. Treasury yields slipped to one-month lows amid escalated trade concerns, yet inched higher after jobless claims rose and Q1 GDP growth was revised lower. The U.S. 10-year Treasury yield fell 5 basis points (bps) to 2.85% and the 2-year yield also ended 2 bps lower. The 2-10 spread narrowed to as low as 32 bps, a level not seen since 2007.
- Political and Policy News:** Justice Anthony Kennedy announced that he will retire from the Supreme Court on July 31. President Trump pushed back the implementation of investment restrictions that would have limited Chinese investment in U.S. technology.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Agg Bond TR	0.34%	-0.16%	-1.62%
Barclays US Corp High Yield TR	-0.53%	1.03%	0.16%
Barclays Global Aggregate TR	0.15%	-2.78%	-1.46%
JPM EMBI Global TR	-0.32%	-3.51%	-5.23%
S&P 500 TR	-1.31%	3.43 %	2.65%
Russell 3000 TR	-1.45%	3.89%	3.22%
Russell 2000 TR	-2.46%	7.75%	7.66%
NASDAQ Composite TR	-2.36%	6.61%	9.37%
S&P Global BMI NR	-1.31%	0.61%	-0.26%
MSCI EAFE NR	-1.04%	-1.24%	-2.75%
MSCI EAFE Small Cap NR	-1.40%	-1.57%	-1.33%
MSCI Europe NR	-0.93%	-1.27%	-3.23%
MSCI EM NR	-1.46%	-7.96%	-6.66%

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