

## MONTHLY MARKET REPORT

JUNE 2019

### US MARKETS

Investors' hope of an imminent trade deal with China was shattered in May, driving stocks lower and increasing market volatility.

The Dow Jones Industrial Average dropped 6.69 percent, while the Standard & Poor's 500 Index lost 6.58 percent. The NASDAQ Composite, which is leading this year, fell 7.93 percent.<sup>1</sup>



Try to be a rainbow in someone's cloud.

**Dr. Maya Angelou, American author, poet and singer**

Stocks opened the month mixed. They slipped on May 1st, following comments by the Federal Reserve, which appeared to eliminate the possibility of a rate cut this year. But they recovered on news of a strong employment report, which pointed to continued economic strength.

### BROAD RETREAT

A Sunday tweet by President Trump threatened China with additional trade tariffs, sent stocks tumbling, and unnerved investors eager for a trade deal by the end of the month.

China responded with counter-tariffs, causing stocks to extend their decline. Following China's response, many investors realized that the trade talks had moved from an imminent signing to a stalemate. However, stocks turned slightly positive following the release of healthy economic data and hopes that the Fed would act if economic activity slowed.

As the month wore on, trade tensions continued to feed investors' anxieties, driving the market into a broad retreat. Energy and commodities were hit hard by worries of a global economic slowdown, and a series of weaker-than-expected economic reports did little to encourage investors.

## TARIFFS ON MEXICO

Stocks stumbled on the last day of trading, following President Trump's threatened tariffs on Mexico – in response to the flow of South American migrants into the U.S.

## SECTOR SCORECARD

Except for the Real Estate sector, which posted a marginal gain of 0.39 percent, all industry sectors saw losses in May, including Communication Services (-4.47 percent), Consumer Discretionary (-6.38 percent), Consumer Staples (-2.25 percent), Energy (-9.51 percent), Financials (-5.75 percent), Health Care (-1.51 percent), Industrials (-6.36 percent), Materials (-7.14 percent), Technology (-7.11 percent), and Utilities (-1.24 percent).<sup>2</sup>

### U.S. Market Recap for May 2019



S&P 500	NASDAQ	Russell 1000	10-Year Treasury
↓ -6.58%	↓ -7.93%	↓ -6.58%	↓ -2.14%
Month	Month	Month	Month
↑ 9.78%	↑ 12.33%	↑ 10.13%	↓ -0.55%
Year-to-Date	Year-to-Date	Year-to-Date	Year-to-Date

Yahoo Finance, May 31, 2019. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

## WHAT INVESTORS MAY BE TALKING ABOUT IN JULY

As the U.S. and China trade dispute continues, investors are attempting to anticipate what's next for the two nations, regarding their \$737 billion trade agreement.<sup>3</sup> It's possible that Mexico and Canada may soon start to share headlines with China.

## TRADE WINDS?

The United States-Mexico-Canada Agreement (USMCA), signed in November 2018, must be ratified by each country's legislative branch. Any hiccups in the ratification process could have broad implications for U.S. trade with Mexico and Canada, which hit \$1.38 trillion in 2018.<sup>4</sup>

President Trump agreed in May to end U.S. tariffs on aluminum and steel imports from Mexico and Canada, smoothing the way for passage of the USMCA by each respective countries' legislatures. However, hope is fading that the U.S. can pass its portion before the August Congressional recess.

## ELECTION WILDCARDS

Upcoming elections could also slow the pace of ratification, with Canada's federal elections scheduled for October 2019 and the U.S. presidential election slated for November 2020.

President Trump has threatened to withdraw from the North America Free Trade Agreement (NAFTA) if Congress doesn't approve the USMCA. The lack of a long-term agreement could mean disrupted supply chains, which could influence consumer prices as well as the financial markets.

## WORLD MARKETS

The MSCI-EAFE Index sagged under the weight of higher trade tensions, falling 5.42 percent.<sup>5</sup>

Markets in Europe suffered substantial losses. France fell 6.2 percent, while Germany lost 5.0 percent. The U.K.'s FTSE 100 dropped 2.5 percent.<sup>6</sup>

Australia escaped the month's carnage with a slight gain of 0.3 percent. Japan's Nikkei 225 dropped 7.4 percent, while the Hang Seng index declined 9.4 percent.<sup>7</sup>

## World Market Recap for May 2019



EMERGING MARKETS	MAY	YEAR-TO-DATE
Hang Seng (China)	↓ -9.4%	↑ 4.1%
Kospi (Korea)	↓ -11.4%	↑ 0.03%
Nikkei (Japan)	↓ -7.4%	↑ 2.9%
Sensex (India)	↑ 1.7%	↑ 10.1%
Jakarta Composite (Indonesia)	↓ -3.8%	↑ 0.2%
Bovespa (Brazil)	↑ 0.7%	↑ 10.4%
IPC All-Share (Mexico)	↓ -4.1%	↑ 2.7%
Merval (Argentina)	↑ 14.8%	↑ 12.1%
ASX 200 (Australia)	↑ 0.3%	↑ 13.3%
<b>EUROPE</b>		
DAX (Germany)	↓ -5.0%	↑ 11.0%
CAC 40 (France)	↓ -6.2%	↑ 10.8%
Dow Jones Russia Index (Russia)	↑ 2.5%	↑ 20.4%
FSTE 100 (Great Britain)	↓ -2.5%	↑ 7.1%

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# INDICATORS

## GROSS DOMESTIC PRODUCT

The second estimate on first-quarter GDP was revised down by 0.1 percent, from 3.2 percent to 3.1 percent.<sup>8</sup>

## EMPLOYMENT

The unemployment rate dropped to 3.6 percent in April, as nonfarm payrolls increased by 263,000. Year-over-year wage growth steadied, rising 3.2 percent.<sup>9</sup>

## RETAIL SALES

Retail sales slid 0.2 percent, led by declines in spending on electronics, home improvement, and vehicles.<sup>10</sup>

## INDUSTRIAL PRODUCTION

Industrial production declined 0.5 percent, reflecting a slowing global economy and ongoing trade friction.<sup>11</sup>

## HOUSING

Housing starts jumped 5.7 percent in April. Home building remains soft this year, with housing starts down 7.2 percent year-to-date versus the same period last year.<sup>12</sup> Sales of existing homes declined 0.4 percent month-over-month, and came in 4.4 percent lower year-over-year, despite the tailwinds of a strong labor market and falling mortgage rates.<sup>13</sup> New home sales declined 6.9 percent, the largest monthly drop since December. However, purchases of new homes were 7 percent higher compared with those in April 2018.<sup>14</sup>

## CONSUMER PRICE INDEX

Prices of consumer goods rose 0.3 percent in April. Core consumer prices, which excludes the more volatile food and energy sectors, rose a modest 0.1 percent. Through the last 12 months, inflation reached 2.0 percent, which marks the first time for the year-over-year CPI since November.<sup>15</sup>

## DURABLE GOODS ORDERS

Orders for long-lasting goods declined 2.1 percent, on the news that Boeing was suspending delivery of its 737 Max, leading to a plunge in civilian aircraft orders. Weaknesses in motor vehicles and parts and business investment further dragged April's numbers lower.<sup>16</sup>

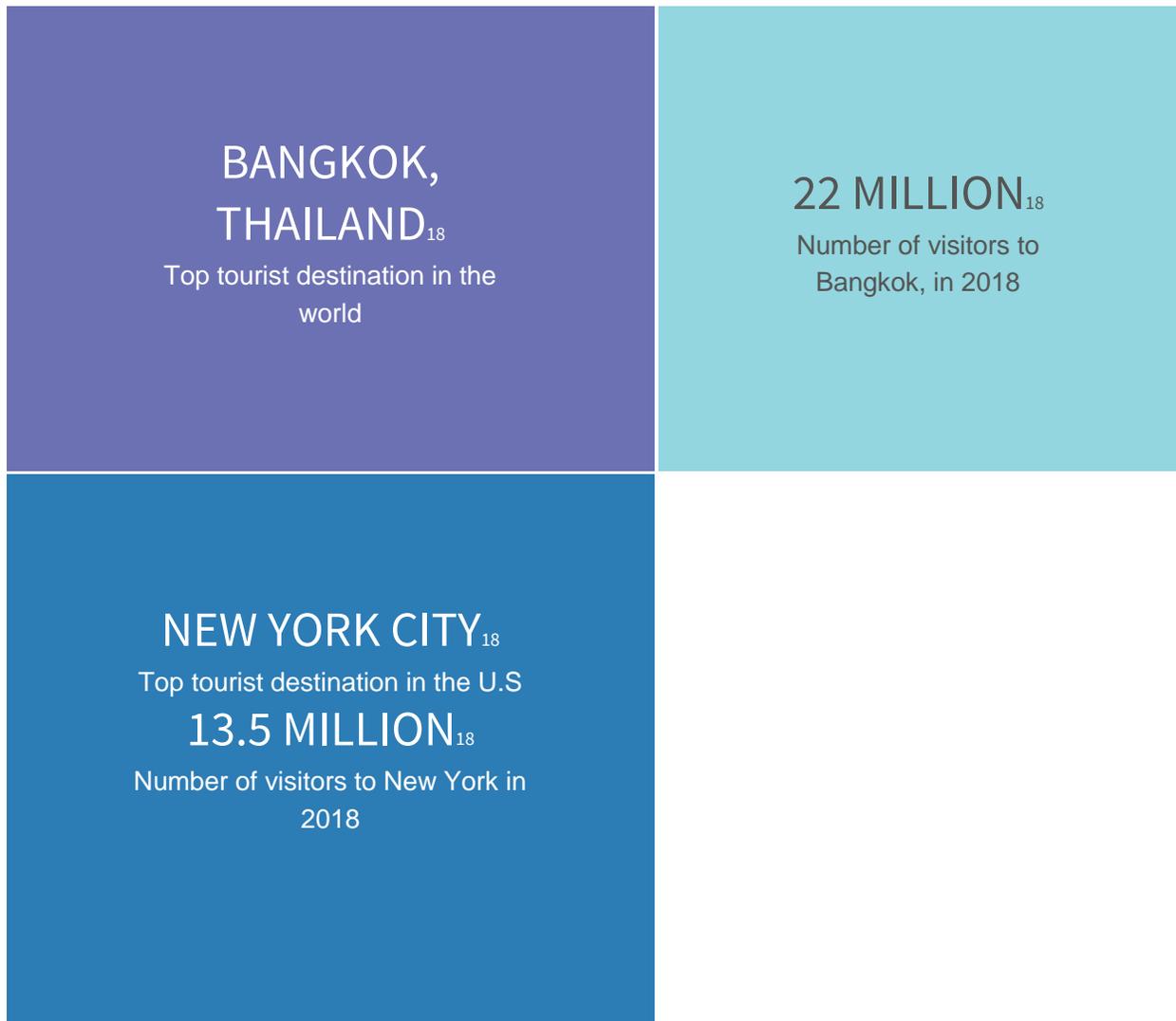
# THE FED

Minutes from the two-day Federal Open Market Committee, which ended on May 1, revealed few surprises. The minutes reflected the Fed's general comfort with its wait-and-see approach to interest rates as well as its belief that softness in inflation was transitory.

It should be noted that several committee members did raise concerns over the prospect that below-target inflation might persist and take hold. There was no discussion of a rate cut to address this worry.<sup>17</sup>

## BY THE NUMBERS

### TRAVEL



**BANGKOK,  
THAILAND**<sub>18</sub>

Top tourist destination in the world

**22 MILLION**<sub>18</sub>

Number of visitors to Bangkok, in 2018

**NEW YORK CITY**<sub>18</sub>

Top tourist destination in the U.S

**13.5 MILLION**<sub>18</sub>

Number of visitors to New York in 2018

**\$1.1 TRILLION**<sub>19</sub>

Tourism revenue in the U.S.  
last year

**\$1.3**  
**TRILLION**<sub>20</sub>  
GDP of Spain

**9 MILLION**<sub>19</sub>

Number of jobs tourism supports  
in the U.S

**9.9 MILLION**<sub>21</sub>

Number of jobs in the automobile  
industry

**40 MILLION**<sub>22</sub>

Annual number of visitors to Mall  
of America in Bloomington,  
Minnesota

**20.5 MILLION**<sub>23</sub>

**20 MILLION**<sub>24</sub>

To Graceland

**\$41**<sub>24</sub>

To Disney World

Price for Graceland  
mansion ticket

506,000<sub>25</sub>

Number of vehicles that went to  
Sturgis for the Harley Davidson  
rally in 2018

\$295<sub>26</sub>

Price for a Sturgis Rally  
admission pass

GREAT SMOKY  
MOUNTAINS  
NATIONAL PARK<sub>27</sub>

Most-popular national park in the  
U.S

11 MILLION<sub>27</sub>

THE STATUE  
OF LIBERTY<sub>28</sub>

Most-visited national  
monument in the U.S

4 MILLION<sub>28</sub>

Number of visitors in  
2018

Number of visitors in 2018



GATES OF THE  
ARCTIC NATIONAL  
PARK<sub>29</sub>

Least-popular national park in the  
U.S.

9,591<sub>29</sub>

Number of visitors in 2018

THE HANA  
HIGHWAY<sub>30</sub>

Most-scenic road trip in the U.S.

52 MILES<sub>30</sub>

IT  
HAPPENED  
ONE NIGHT  
(1934): 93%<sub>31</sub>

Distance on the Hana Highway

Road trip movie with  
the highest ranking on  
Rotten Tomatoes

**BLUES  
BROTHERS**  
**(1980): 92%**<sup>31</sup>  
Highest-ranked, road-  
trip comedy

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Please consult your financial advisor for additional information.

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