



THE WEEK IN REVIEW

This week began on a sour note for global equity markets following a breakdown in trade negotiations between the U.S. and China and subsequent tariff escalations over the weekend. The three major U.S. equity averages posted sharp losses on Monday, but steadily climbed higher in the middle of the week before taking a downturn on Friday. For the week, the S&P 500 Index and Dow Jones Industrial Average fell by 0.8% and 0.7%, respectively. Meanwhile yields on the benchmark U.S. 10-year Treasury bond fell 0.08% to close at 2.39%, and U.S. crude oil prices advanced 1.7% to close above \$62 per barrel.

As the week unfolded, several developments helped brighten the trade policy picture including President Trump's comments that he expected to continue high-level trade talks with his Chinese counterpart, Xi Jinping, at June's G20 Summit in Japan. Investors also greeted with approval the Trump administration's decisions to delay for six months tariffs on European auto imports and to lift steel and aluminum tariffs imposed on Canada and Mexico. In the final hours of Friday's trading, sentiment reversed, however, as several news outlets were reporting that U.S.-China trade negotiations had reached a new impasse related to heightened U.S. restrictions on the access of major Chinese telecommunications firms to U.S. end markets and component suppliers.

On the economic front, U.S. April retail sales declined 0.2% from the previous month, but advanced 3.1% on a year-over-year basis. March retail sales were revised up 0.1% to 1.7%, which marks the largest monthly increase since September 2017. April retail sales weakness was likely driven by higher gasoline prices weighing on other consumer purchases.

U.S. consumer sentiment appears to be strong, as the University of Michigan Consumer Sentiment Index May preliminary report showed results of 102.4, which significantly exceeded expectations. The May reading marks a 15-year high and is only the fourth reading over 100 during the current economic expansion. The expectations component of the report was the main driver of such positive results this month as it jumped 8.6 points, from 87.4 to 96.0, also a 15-year high. Perhaps reflecting the potential impact of tariffs on consumer goods, consumers' inflation expectations for the next twelve months also rose sharply in early May to 2.8% from 2.5% in April.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
U. of Mich. Consumer Sentiment	2.1%	1.6%	▲
Retail Sales (MoM)	-0.2%	0.8%	▼
Industrial Production (MoM)	-0.51%	-0.44%	▼
Housing Starts (Millions Annualized)	1.235	1.291	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25764.00	-0.69%	10.44%	4.25%
NASDAQ	7816.29	-1.27%	17.80%	5.88%
S&P 500 LargeCap	2859.53	-0.76%	14.07%	5.12%
MSCI EAFE	1868.61	0.19%	8.65%	-8.87%
Bbg Barclays Aggregate US	2118.41	0.28%	3.51%	6.66%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.37%	2.42%	2.43%	1.90%
10-Year Treasury	2.39%	2.47%	2.59%	3.11%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	2.8%
Existing Home Sales (Millions Annualized)	5.21
New Home Sales (Thousands Annualized)	692

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.