



THE WEEK IN REVIEW

Domestic equities experienced a choppy week as investors parsed mixed news. The S&P 500 declined 2.9% on Wednesday in response to disappointing economic data from China and Europe that fueled concerns about softer global economic growth. These concerns were exacerbated by the U.S. Treasury yield curve inversion as the 10-year yield moved below the 2-year yield for the first time since 2007. The 10-year yield fell to under 1.60% which marked a multi-year low, and the 30-year yield reached a record low under 2.0% for most of Thursday. Yield curve inversion is a closely watched warning sign due to its historical track record of preceding recessions. Former Fed Chair Janet Yellen noted that the economy is still healthy and a curve inversion does not mean a recession is imminent.

Late in the week, stock and bond yields recovered somewhat after strong U.S. retail sales growth in July showed consumer spending remains healthy. In addition, comments from Europe and China about new stimulus policies boosted investor sentiment. A European Central Bank (ECB) official suggested the ECB will announce a "significant and impactful" stimulus package next month that should exceed investors' expectations. China's economic planning government agency said it will implement a plan to boost consumer income and spur consumption.

In a positive sign for the U.S. economy, July retail sales increased 0.7% from the previous month; economists' consensus expectations had forecast an increase of 0.3%. The robust report, which primarily measures purchases at stores, restaurants and online storefronts, is the strongest reading since March and was driven by a 2.8% monthly jump in internet retail sales. In conjunction with the report, Walmart (WMT) reported strong second quarter earnings on Thursday. The company beat expectations on both its top and bottom lines while also predicting same-store sales growth will most likely be at the higher end of its 2019 guidance (2.5% to 3%). Notably, WMT has consistently seen strong growth in its online sales, reporting a 37% growth rate for the quarter.

U.S. consumer prices/inflation rose more quickly than expected in July, with the Consumer Price Index for all items rising 0.3% versus expectations of 0.2%. On an annualized basis, core CPI, which excludes energy and food prices, increased 2.2% while the headline number was up 1.8%. It remains to be seen how this data may affect the Federal Reserve's upcoming meeting in September.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Core Consumer Price Index (YoY)	2.2%	2.1%	▲
NFIB Small Business Optimism	104.7	103.5	▲
Retail Sales (Less Autos YoY)	3.7%	3.9%	▼
Housing Starts (Millions Annualized)	1.2	1.3	▼
U. of Mich. Consumer Sentiment	92.1	100.0	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25886.01	-1.53%	10.97%	1.28%
NASDAQ	7895.99	-0.79%	19.00%	1.15%
S&P 500	2888.68	-1.03%	15.23%	1.69%
MSCI EAFE	1797.33	-2.34%	4.50%	-6.51%
Bbg Barclays Aggregate US	2226.25	0.95%	8.78%	10.02%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.86%	2.14%	2.05%
10-Year Treasury	1.55%	2.10%	2.87%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Millions Annualized)	5.27
Leading Economic Indicators	-0.3%
New Home Sales (Thousands Annualized)	646.0

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