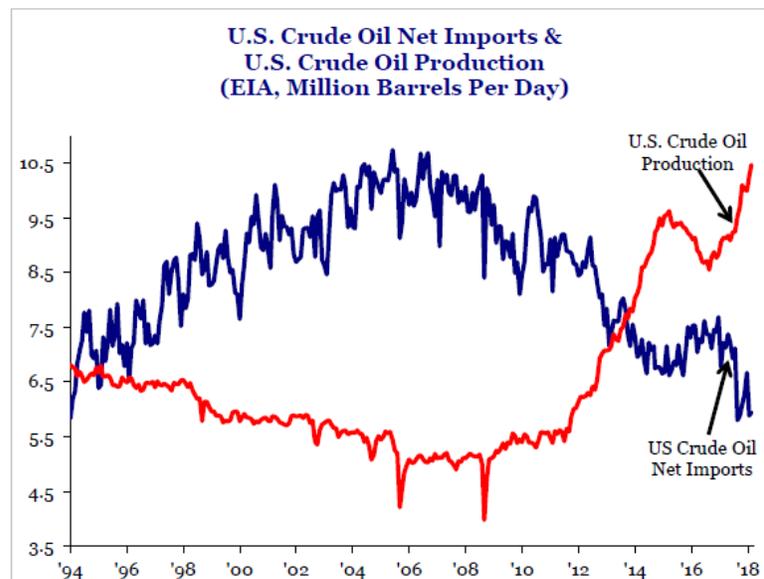




Last Week:

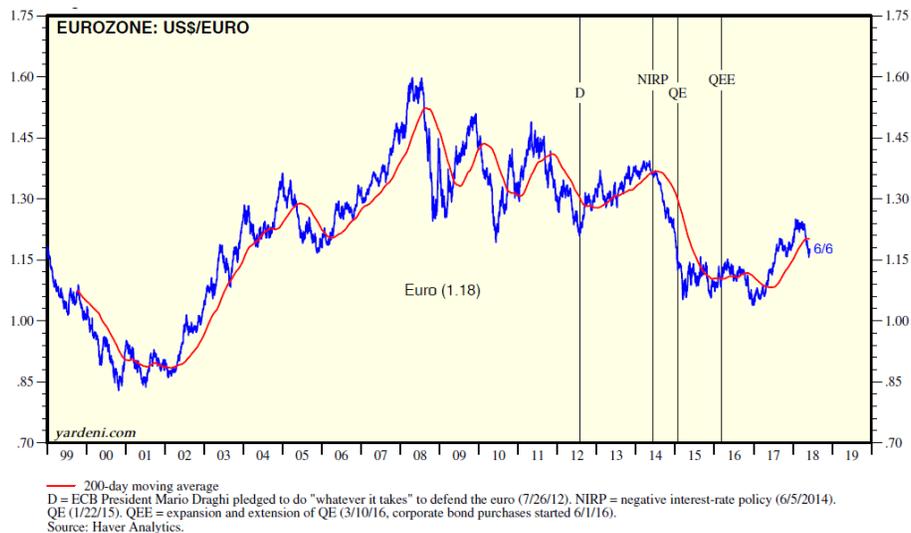
- The Dow Jones Industrial Average hit a sweet spot +2.8%
 - For the week, advancers outpaced decliners by a 9:1 margin
 - McDonalds +6.1% and Home Depot +5.9% posted the top gains, with Procter & Gamble, DowDupont and Disney all gaining over 4%
 - Intel declined the most (-3.6%), with GE and Cisco also posting losses
 - Best performing groups were Recreational Products, Apparel and Home Improvement Retailers, Nonferrous Metals and Home Construction
 - Gambling didn't pay, as that group posted the poorest performance of any group, joined by Coal and most of the Utilities
- Dow Transports narrowly stayed in positive territory +0.4%
- Dow Utilities seemed to lose power (-3.0%)
- The S&P 500 pushed ahead another +1.6%
 - Consumer Discretionary, Telecom and Materials gained 3% or more for the week, while Consumer Staples, Financials and Health Care all advanced over 2%
 - Utilities was the lone sector in the red, and it was bright red (-3.0%)
- The S&P Smallcap and Midcap indices outpaced their larger brethren, with the Smallcap advancing +2.3% while the Midcap gained +2.2%
- NASDAQ had a less positive week than other major indices +1.2%
- Crude oil was nearly motionless for the week, closing at \$65.56/barrel as US production continues to expand



- Gold crept back above \$1,300, finishing at \$1,304/ounce



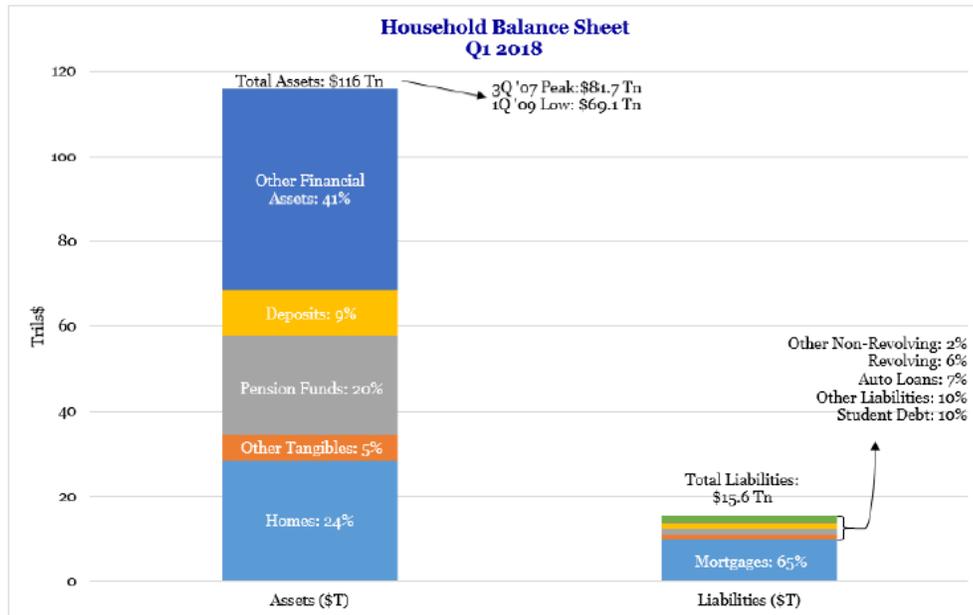
- Global stocks seemed quite dispersed in their performance for the week
 - The Euro Stoxx 600 fell (-0.5%)
 - Major markets all outperformed slightly, with Frankfurt finishing in the black for the week +0.3%, while Paris and London lost only (-0.3%)
 - Spain and Portugal led a handful of markets finishing up over 1%, while Denmark, Turkey and Italy all fell by (3%) or more
 - Turkey hiked interest rates for the third time this quarter, with overnight rates now tipping 17.75%. The Turkish lira jumped to its highest level in a week, but remains down sharply year-to-date. In May, inflation in Turkey topped 12%
 - AsiaPac stock markets were mostly to the upside
 - China's Shenzhen market gained +2.3% while Tokyo added +2.4%, with Hong Kong +1.5%, Sydney +0.9% and Bombay +0.6%
 - China's Shanghai market stood out with a decline of (-0.3%)
- The US Dollar Index softened slightly, dropping just over half a point to 93.53
 - Over the long term, the dollar still seems to be strengthening vs. the Euro



- The VIX Volatility Index dropped 1.28 to a calm level of 12.18
- The 10-year Treasury yield climbed back toward the 3% level, closing at 2.95%
- Both Jamie Dimon and Warren Buffett questioned publicly the benefit of having quarterly earnings guidance rather than operating more for the long term
- The G-7 meeting in Canada delivered lots of headlines but little change, as nothing regarding tariffs seemed to be settled. A new rift broke out between President Trump and Prime Minister Trudeau ... via Twitter
 - Over the weekend economic advisor Larry Kudlow stated that the US would not withdraw from NAFTA
 - The G-7 ended without a unanimous statement for the first time ever



- The IMF approved a three year, \$50 billion financing package for Argentina
- The Federal Reserve reported that household net worth topped \$100 trillion for the first time ever



Source: Strategas

- Consensus earnings estimates for the S&P 500 are around \$160 for 2018 and \$175 for 2019 ... investors seem to be taking a wait and see approach on whether Trump's rants and tariffs turn out to be a speed bump or a slam of the brakes
- Italy's new economy minister pledged to stay in the Euro while implementing a number of structural reforms to boost growth
- The US trade deficit fell to \$46.2 billion, benefitting from both increased exports and a decrease in imports
- Factory Orders decreased slightly by 0.8% following two months of increases
- Weekly Jobless Claims dipped -1,000 to 222,000
- The Services PMI rose at the fastest rate in three years, with numbers in the US being better than those seen in other countries globally
- The Non-Manufacturing ISM gained for the 100th consecutive month, increasing 1.8 from April to finish at 58.6
- Consumer Credit increased 2.9% in April, the third straight month of deceleration
- While national unemployment reached a generational low 3.8% in May, things are even tighter in certain markets, with Energy companies desperately seeking qualified employees to return to the oil patch amid rising commodity prices



How Low Can You Go?

Oil boom drives Midland to record-low unemployment at 2.1 percent



Source: U.S. Bureau of Labor Statistics

- In other corporate news:
 - **Merck** announced more positive clinical trial results for its key cancer drug, Keytruda
 - **Johnson & Johnson** is selling its medical equipment sterilization business to Fortive for \$2.7 billion
 - KKR is said to be close to buying Envision Healthcare
 - **Starbucks** Chairman Howard Schultz is stepping down, some believe to possibly enter politics ... must be too much caffeine
 - **Microsoft** is buying GitHub for \$7.5 billion in stock



This Week:

- US markets look to open flat
- Knauf announced it intends to acquire USG for \$44/share in cash
 - That should be good news for Berkshire Hathaway, which owns 31% of USG and has agreed to vote its shares in favor of the acquisition
- Most major European markets are higher in trading early in the day
- Asian markets also were mostly higher, with China bucking the trend and finishing down for the day
- The North Korea summit is Tuesday in Singapore, taking the focus temporarily off the ongoing trade issues elsewhere in the world
- A ruling on the **AT&T**/Time Warner merger is also expected on Tuesday
- The Federal Open Markets Committee holds its meeting on Tuesday and Wednesday, with a decision announced on Wednesday afternoon ... a 25 basis point increase is expected
- The European Central Bank announces its interest rate decision on Thursday, and the Bank of Japan is pre-market Friday
- Details on tariffs for China are expected towards the end of the week
- Earnings season is basically done:
 - Monday: Dave & Buster's
 - Tuesday: H&R Block and SAIC
 - Thursday: Jabil and Michael's
- Economic reports:
 - Tuesday: US CPI
 - Wednesday: US PPI
 - Thursday: Jobless Claims, Retail Sales and Import Prices
 - Friday: NY Manufacturing Index, Industrial Production and the University of Michigan Confidence Survey

As always, thanks very much for your interest and support.

Farley Shiner, CFA®
Managing Director

Adam Bergman, CFA®
Executive Director



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