

Last Week:

- We start off the second half of 2018 with a look at Bloomberg's Consumer Comfort gauge, which shows record high readings for high-income earners, handily surpassing the peak in 2006-07



- The Dow Jones Industrial Average kicked off the second half +0.8% with advancers outpacing decliners by about a 2:1 margin
 - **Walgreens** rebounded to lead the advancers +5.5%, followed by **Johnson & Johnson** +3.6% and Intel +3.3%
 - Just doing it to the downside was Nike (-4.0%), with ChevronTexaco (-1.8%) and WalMart (-1.3%) joining as the only stocks down 1%+
- Dow Transports picked up speed with a gain of +1.3%, while Dow Utilities enjoyed another strong week +2.5%
- The S&P 500 climbed higher to start the quarter as well +1.5%
 - Leading the charge was the Health Care sector +3.1%, while Technology, Telecom and Utilities joined in with gains of 2%+
 - The only sector below breakeven was Energy (-0.4%) while Financials managed a paltry +0.3% for the week
- The S&P Smallcap and Midcap indices continued to shine, with the Smallcap advancing +3.2% while the Midcap picked up +1.9%
- NASDAQ led the celebration among major indices with a gain of +2.4%
- Crude oil finished the week pennies lower at \$73.80/barrel
 - Intra-week, West Texas Intermediate crude oil surpassed \$75/barrel for the first time since November 2014
- Gold picked up a couple of bucks to finish at \$1,254/ounce
- Global stocks were quite dispersed in their performance for the week
 - The Stoxx Europe 600 gained +0.6%

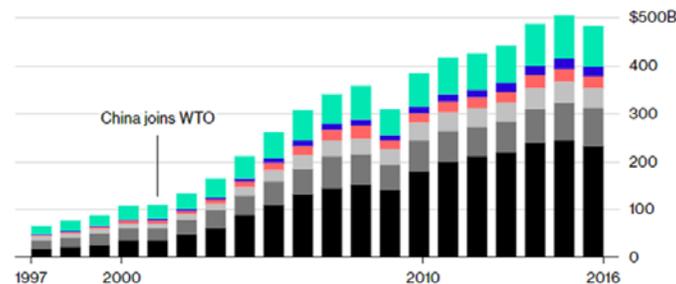


- Frankfurt pushed forward +1.6% while Paris gained +1.0% ... London bucked the trend and posted a loss of (-0.3%)
- Greece saw declines of (-1.4%) while Turkey jumped +2.3% after recent elections ... Spain +2.9% had the best week in Euroland
- AsiaPac stock markets were lower again
 - China's Shenzhen (-1.6%) was better than Shanghai (-3.5%) but not good, while Hong Kong dropped (-2.2%) and Tokyo slid (-2.3%)
 - Bombay stayed in positive territory +0.7% and Australia bounced +1.3%
- The US Dollar Index dropped 0.68 to close at 93.96
- The VIX Volatility Index moved to calmer levels, falling 2.70 to 13.37
- The 10-year Treasury yield dipped for a fourth consecutive week to close at 2.82%, its lowest level since late May
- Secretary of State Mike Pompeo headed to North Korea to continue progress on the denuclearization talks started at the recent summit ... early reports were conflicted about whether progress was made or stalled
- Andres Manuel Lopez Obrador easily won Mexico's presidential elections, promising to tackle crime, poverty and corruption while stating that the country would not be "a piñata" for the U.S. ... NAFTA talks remain on hold until the mid-term elections it seems
- The first set of 25% tariffs went into effect on \$34 billion of Chinese exports, including items such as farm equipment and aerospace components, prompting concerns about a trade war erupting. China responded by announcing a comparable amount of tariffs on US exports of agricultural products and automobiles. Chinese Premier Li Keqiang said China's "view is that [a] trade war is never a solution. No one will emerge as a winner from [a] trade war, it benefits no one." For its part, rating agency Fitch said, "It remains to be seen whether U.S. announcements are simply negotiating positions that may be modified. But the detailed preparation of, and justification for, such measures and the possibility of instant and strong retaliation by trading partners present growing risks to trade"
 - According to the World Trade Organization, average tariffs in the US are 3.5% compared to 5.2% in the EU, 9.9% in China, 4.1% in Canada and 7.0% in Mexico

U.S. Appetite

Imports from China rose 630% in 20 years as demand shifted to electronics

■ Machinery and Electronics ■ Miscellaneous ■ Textiles and Clothing ■ Metals
■ Plastic or Rubber ■ Others

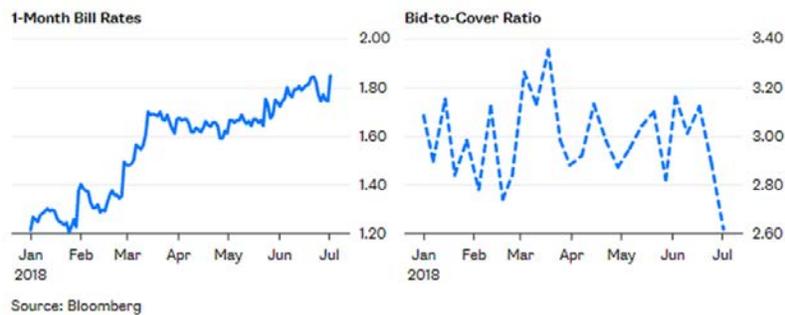


Source: The World Bank

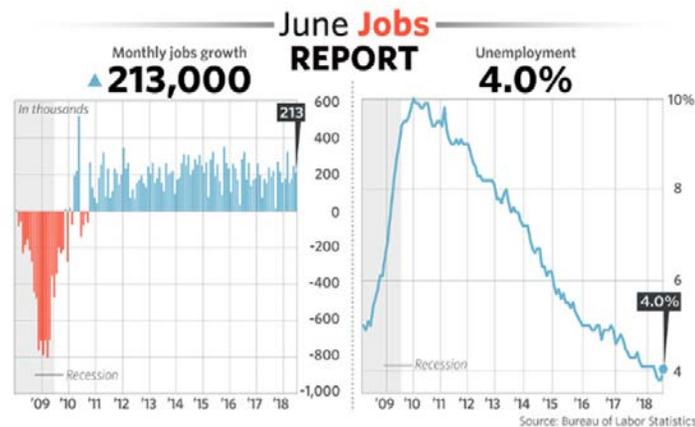


- Chinese stocks finished lower for the seventh-consecutive week, their longest losing streak since 2012
- China and the EU are planning to hold a summit on July 16-17 with trade being the primary topic
- Last week's auction of Treasury bills generated the lowest interest in a decade, with rates on 1-month bills rising 10 basis points. A function of the holiday-shortened trading week, or evidence that China (historically the largest buyer of Treasuries) is retaliating in response to tariff/trade threats?

U.S. Treasury bill rates jump at auction as demand falls to the lowest in a decade

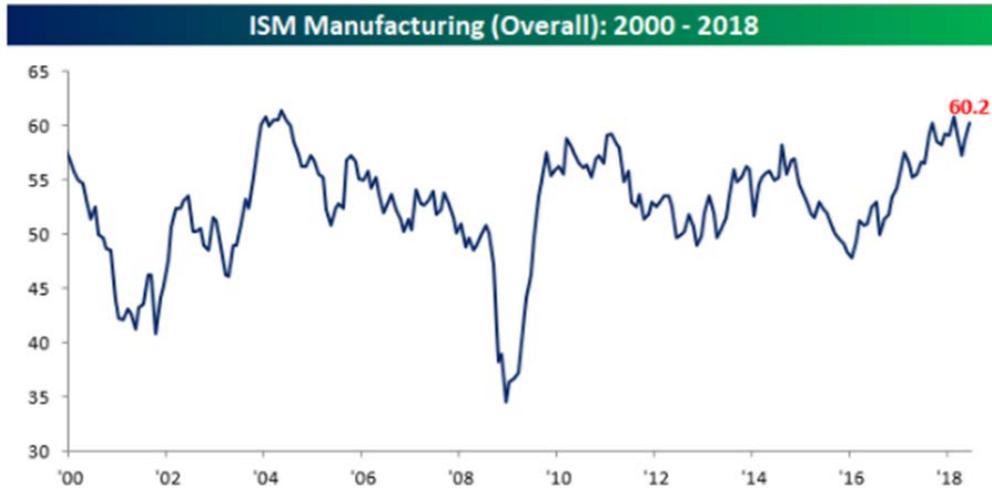


- The Federal Reserve released minutes from its recent meeting that revealed concern about downside risks from trade policy “had intensified.” The minutes likewise showed that business leaders expressed their concerns about the same topic to the central bank, with some businesses indicating they had curtailed capital spending plans as a result
- ADP's Employment report showed an addition of 177,000 jobs in June, a tad shy of the 190,000 consensus
- Non-Farm Payrolls rose 213,000, topping the 195,000 consensus forecast, while the unemployment rate ticked up to 4.0% (higher than the 3.8% expectation). The rise in the unemployment rate was driven by 601,000 individuals entering the work force. Average hourly earnings edged up 0.2% sequentially and 2.7% year-over-year





- Weekly Jobless Claims rose 3,000 to 231,000, marking a six-week high, albeit still exceptionally low by historical standards
 - Not reflected in that 231,000 figure, because it occurred after the report was published, is one individual named Scott Pruitt. The embattled former Environmental Protection Agency chief resigned, amid more than a dozen investigations into his conduct. In his resignation letter, Pruitt said “unrelenting attacks on me personally, my family, are unprecedented and have taken a sizable toll on all of us.” President Trump said Pruitt did “an outstanding job, and I will always be thankful to him for this.” Andrew Wheeler, a former coal lobbyist, will serve as acting head of the EPA
- ISM Non-Manufacturing printed 59.1 for June, above the 58.2 consensus forecast
- The ISM Manufacturing index came in at 60.2 for July, well ahead of the 58.4 expectation. As a reminder, readings above 50 indicate economic expansion

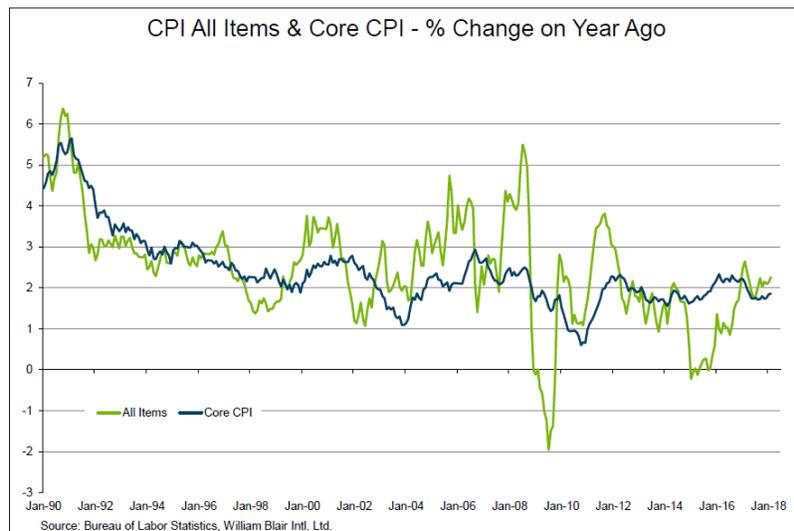


Courtesy: Bespoke



This Week:

- US markets look to open higher following a quiet weekend
- Most major European markets are slightly higher in trading early in the day
- Asian markets finished a solid session, with most markets up 1%+
- Tonight, President Trump will announce his nominee for the upcoming vacancy on the Supreme Court
- President Trump has a busy travel schedule
 - The NATO summit is held Wednesday and Thursday
 - Meetings in the UK follow NATO
 - A summit with Russian President Putin is scheduled for next Monday in Finland
- The Federal Reserve publishes its monetary policy report for Congress on Friday in advance of Chairman Powell testifying to Congress on Tuesday, July 17
- Earnings season kicks off:
 - Tuesday: **PepsiCo**
 - Wednesday: Fastenal
 - Thursday: Delta Airlines
 - Friday: Citigroup, First Republic, JP Morgan Chase, PNC Financial and **Wells Fargo**
- Economic reports:
 - Monday: Consumer Credit
 - Tuesday: NFIB and JOLTS
 - Wednesday: US PPI and Wholesale Inventories
 - Thursday: Jobless Claims and US CPI



Source: William Blair

- Friday: Import/Export Prices and the University of Michigan Consumer Sentiment Index



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

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