



WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: May 12 - May 18, 2019

Index Performance Return (%)					
	1 WK	YTD	1YR	3 YRS	5YRS
S&P 500:	-0.69%	14.98%	7.25%	14.07%	11.04%
S&P MidCap 400:	-2.21%	14.30%	-1.39%	11.28%	8.63%
Russell 2000:	-2.32%	14.45%	-4.20%	13.38%	8.33%
NASDAQ:	-1.27%	17.80%	5.88%	18.35%	13.83%
MSCI ACWI:	-0.82%	11.25%	-1.95%	8.66%	4.09%
MSCI EAFE:	0.21%	10.25%	-6.29%	7.25%	2.03%

Source: Morningstar

Interest Rates		
	5/17/2019	5/10/2019
UST 10-YR Government Bond Yield	2.39%	2.47%
German 10 YR:	-0.10%	-0.05%
Japan 10 YR:	-0.05%	-0.04%
30 YR Mortgage	4.03%	4.04%
Oil	\$62.69/ppb	\$61.66/ppb
Regular Gas	\$2.861/ppg	\$2.897/ppg

Source: Bloomberg

All data as of May 17, 2019

Enter the Dragon

Markets took a sharp hit on Monday, as [China announced its own tariffs](#) in retaliation to the expansion of U.S. tariffs on May 10. In response, the Dow was down over 700 points at one point that same day before rebounding slightly to close down 618 points. Over [\\$1 trillion was wiped out in one day](#) from global markets.

The S&P and the Dow were off -2.4%, as tit-for-tat tariff increases sent ripples of fear through the markets. As expected, the companies with the largest exposure to China were hit the hardest, including Apple, United Technologies

Inc., Cisco, CAT and as if it wasn't having enough problems already Boeing.

Markets staged a comeback in the middle of the week before fading on Friday, marking the fourth straight week the Dow ended down (the first time this has happened since 2014). The week brought some good news: Reports that Chinese growth was flagging bolstered the thinking that perhaps China would be forced to come to the table sooner rather than later. The U.S. delayed tariffs by six months on European autos and we struck a deal with Canada and Mexico that eliminated tariffs on steel and aluminum. The Chinese, however, remained unflappable, even as the [U.S. government banned Chinas telecom giant Huawei](#) due to the threat they present to national security. All of this news helped markets come back somewhat.

It is becoming obvious we will not see anything close to a deal between the U.S. and China until at least the [G20 Summit](#) in Osaka, Japan. President Trump will meet with Chinas President Xi Jinping at the Summit scheduled for late June. It is becoming unclear if this is just [posturing on both sides or a fundamental irreconcilable disagreement](#) between the two nations. The next few weeks will test the Presidents much-touted relationship with Chinas leader. I would become concerned if we did not see a deal come out of the Summit, as I believe the Chinese will try to wait out President Trump in the hopes that a weaker U.S. president (at least with respect to trade) can defeat Trump in 2020.

Iran, Nervous Cats



After a couple of [sabotage attacks on Saudi oil tankers](#) in the Middle East, tensions began to get heated between Iran and the U.S. Iranian leaders

launched some very pointed rhetoric, and U.S. intelligence said Iranian leaders believed [they would be attacked by the U.S.](#) As a safety measure, the U.S. ordered the evacuation of non-essential personnel from Iraq because of fears that they would be attacked by pro-Iranian militias.

ABREXIT to Remember

Remember last month, when the U.K. asked for an extension from the EU to work out an exit deal? Do you recall how Theresa May and Jeremy Corbyn of the Labour party were going to work together to hammer out a compromised agreement they could take to the EU so they could negotiate a more favorable departure? Well, it appears that May may turn out to be the month that finished May (Theresa, that is). Those [talks ended last week with no results](#) and the U.K. goes back to the drawing board. What had been a pleasant few weeks of non-drama from the Eurozone will once again set the stage for a turbulent start to the summer.

Whats Coming Up This Week

- Well kick off U.S. versus China round three I mean, week three!
- Earnings are done and practically forgotten in the wake of the trade war with China. Despite surprising on the upside, the good feeling that this earnings season generated went away along with the low volatility. With nearly all S&P 500 companies reporting, [76% reported positive earnings surprises](#) and 59% reported positive revenue surprises.
- [Fed governors will speak this week](#). In light of recent market turmoil, imposed tariffs and lack of a trade deal with China, theres really nothing they can say that would help push markets upward. Any slip of the lip from the governors would only add to recent market doldrums.

Have a great week!

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