



WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: May 19 - May 25, 2019

Index Performance Return (%)					
	1 WK	YTD	1YR	3 YRS	5YRS
S&P 500:	-1.14%	13.67%	5.71%	13.09%	10.51%
S&P MidCap 400:	-1.39%	12.71%	-2.96%	9.93%	8.05%
Russell 2000:	-1.39%	12.85%	-5.75%	11.58%	7.57%
NASDAQ:	-2.29%	15.10%	2.86%	16.25%	12.78%
MSCI ACWI:	-1.01%	10.13%	-2.54%	8.10%	3.70%
MSCI EAFE:	-0.51%	9.69%	-5.61%	7.05%	1.85%

Source: Morningstar

Interest Rates		
	5/24/2019	5/17/2019
UST 10-YR Government Bond Yield	2.32%	2.39%
German 10 YR:	-0.13%	-0.10%
Japan 10 YR:	-0.07%	-0.05%
30 YR Mortgage	4.01%	4.03%
Oil	\$58.93/ppb	\$62.69/ppb
Regular Gas	\$2.852/ppg	\$2.861/ppg

Source: Bloomberg

All data as of May 24, 2019

♪ Take a Chance on Xi ♪

With chances of a trade deal with China fading prior to a meeting between President Trump and Chinas President Xi in Osaka, Japan scheduled for June 28, markets have shuddered to a stop and are looking for a clear sign as to which way to head as summer quickly approaches. To paraphrase Abbas song Take a Chance on Me:

*If you change your mind
 Im the first in line
 Honey, Im still free
 Take a chance on Xi!*

It may have to come down to the personal relationship with the Chinese leader that the President has so often touted to act as the catalyst for reaching an agreement. It is hard to disentangle how much of the China trade deal premium has been given back since the U.S. expanded tariffs, but we are off about 5% since our April 30 record close on the S&P 500. Markets have been shifting on encouraging news (some mobile phone component and chip makers were given an extension to sell to China) or sliding on bad news and rumors ([Huawei being blacklisted as a national security threat](#)).

It appears highly unlikely we will see any movement towards a resolution of the trade negotiations until the end of June when Presidents Xi and Trump finally meet. If you need another reason to understand why we need to fix our trade problems with China, [this Bloomberg article outlines how quickly China can catch and surpass us](#) as the worlds leading economy.

Do Your Job

For those counting, the 116th Congress went into session on January 3, exactly 141 days ago, and has managed to get just 17 bills to become law in that time. President Trump has vetoed two bills during his presidency so far. Fun facts: [since 1789, there have been 2,576 presidential vetoes](#). Also, Congress passed between [200-600 statutes during each of its 115 previous terms](#) to enact a total of more than 20,000 laws.

All this may be grist for political banter, but I have some real concerns when it comes to the ability of this Congress and the president to find new sublevels in what seems a never-ending basement of bad relations. Lost in the bitter rancor

and the endless back-and-forth accusations is the fact that we have solid economic growth and prosperity and things are fairly quiet around the world. I shudder to think what would happen if our resolve was suddenly tested and our dysfunctional Congress had to work with our president.

Yet that day is coming sooner than you think. If recent memory serves correctly, the blue wave that swept in last November promised to protect and expand health care and address our immigration problems. They weren't elected on promises of endless investigations and picking fights (no matter how petty) over absolutely everything this administration says or does.

This isn't meant to be a discourse on party politics but rather to serve as a warning of upcoming events that will impact markets. If this climate persists, we will have some serious problems when it comes to negotiations on raising the debt ceiling and funding the government. We know what happened during the last government shutdown at the start of the year, but we need to remember what happened the last time we had a serious debt ceiling fight (summer 2011) and the resulting fallout of U.S. being downgraded. 2011 was stacking up to be a nice year before that spat sparked the [most volatile week for financial markets since the 2008 crisis](#), with the stock market trending significantly downward.

May is Almost Over

In a case of you can't make this stuff up, the U.K. participated in European Union elections even though they're still trying to negotiate an exit from the EU. Meanwhile, [Theresa May finally announced her resignation as Prime Minister](#) early on Friday. The resignation is effective on June 7, and Boris Johnson, former Foreign Secretary and Mayor of London and, most importantly, a Brexit hawk is currently [the frontrunner to succeed May as head of the conservatives](#). If Johnson (or whomever) succeeds May, it will be hard to see other options that haven't yet been discussed or tried. This is far from over; the mess will continue with a new poster child for Brexit.

In Other News

- Fed minutes from the April policy meeting were released on Wednesday. The minutes included details confirming that the Fed is going nowhere anytime soon and expressing confidence in its current Make-No-Moves stance on interest.
- Oil dipped to \$57.95/ppb on Thursday. Softer oil prices will once again

stirring talk of a global economic slowdown, which isn't helpful in our current environment.

Coming Up This Week

- Markets were closed on Monday in observance of Memorial Day. I hope you all had a chance to take a few moments to remember those who gave all in service to our country. There are over 130,000 Americans buried in more than 10 countries overseas. These were fellow American men and women who fought for our ideals and for those that could not fight for themselves. It's important for us to remember their sacrifice and ask ourselves: How many foreign soldiers do we have buried in the U.S. that died to keep us free?
- We've got light economic data this week, given that it's a short week and we're quickly approaching the end of the month. The Consensus Report is scheduled for Tuesday, and the consensus is calling for a slight uptick from 129.2 to 129.8. University of Michigan will release the May Consumer Sentiment Report on Friday, and that consensus is calling for a dip from 102.4 to 100.00. Retail and wholesale inventories will be released on Thursday.

Have a great week!

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