

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

MAY 31, 2019

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

Once again, the economic data reports were overshadowed by President Trump's trade war. Amid increased trade tensions, the prospects for a U.S./China agreement dimmed. Trump tweeted that he would impose a 5% tariff against goods from Mexico beginning June 10, raising that each month until Mexico prevents illegal border crossings. The move is seen as a further disruption for U.S. manufacturing supply chains, adding to consumer costs, with the uncertainty undermining business investment. The major stock market indices fell and yields on long-term Treasuries tumbled.

Fed Vice-Chair Clarida said that "the economy is in a very good place." However, "if the incoming data were to show a persistent shortfall in inflation below our 2% objective or were it to indicate that global economic and financial developments present a material downside risk to our baseline outlook, then these are developments that the committee would take into account in assessing the appropriate stance for monetary policy."

The Conference Board's Consumer Confidence Index strengthened. However, the survey did not fully capture the impact of the May 10 increase in tariffs. Real GDP rose at a 3.1% annual rate in the 2nd estimate for 1Q19 (vs. 3.2% in the advance estimate), still boosted by faster inventory growth and a narrower trade deficit. Consumer spending was revised slightly higher (still slow), while business fixed investment was revised lower. April income and spending figures were largely in line with expectations, consistent with moderate growth in the near term.

Next week, fresh economic data for May arrive, but trade tensions are expected to remain the dominant factor for the financial markets. The Chicago Fed will host a two-day conference on the Fed's monetary policy framework (strategies, tools, communications policies). Any possible changes won't occur until next year. In the meantime, the financial markets are pricing in a stronger chance of a Fed rate cut this

year.

Indices

	Last	Last Week	YTD return %
DJIA	25169.88	25490.47	7.90%
NASDAQ	7567.72	7628.29	14.05%
S&P 500	2788.86	2822.24	11.25%
MSCI EAFE	1825.98	1839.56	6.17%
Russell 2000	1485.53	1501.38	10.16%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.50	4.75
Fed Funds	2.37	1.69
30-year mortgage	4.01	4.56

Currencies

	Last	1 year ago
Dollars per British Pound	1.261	1.330
Dollars per Euro	1.113	1.169
Japanese Yen per Dollar	109.62	108.82
Canadian Dollars per Dollar	1.350	1.296
Mexican Peso per Dollar	19.143	19.912

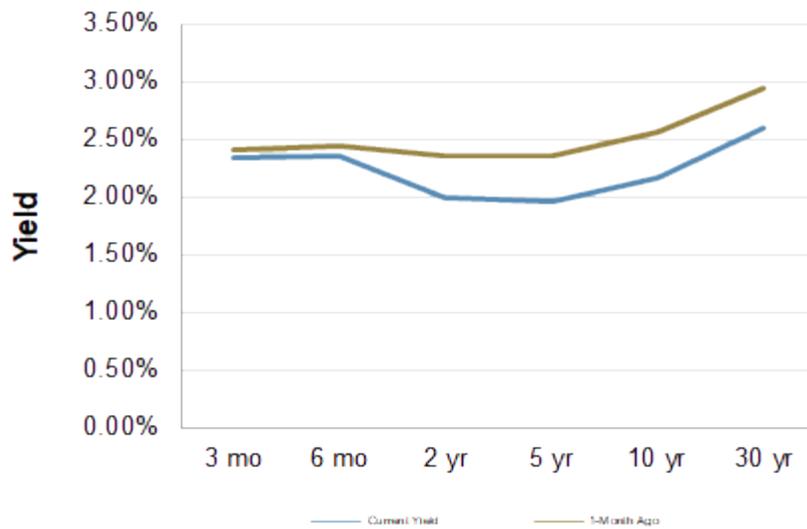
Commodities

	Last	1 year ago
Crude Oil	56.59	67.04
Gold	1292.40	1304.70

Bond Rates

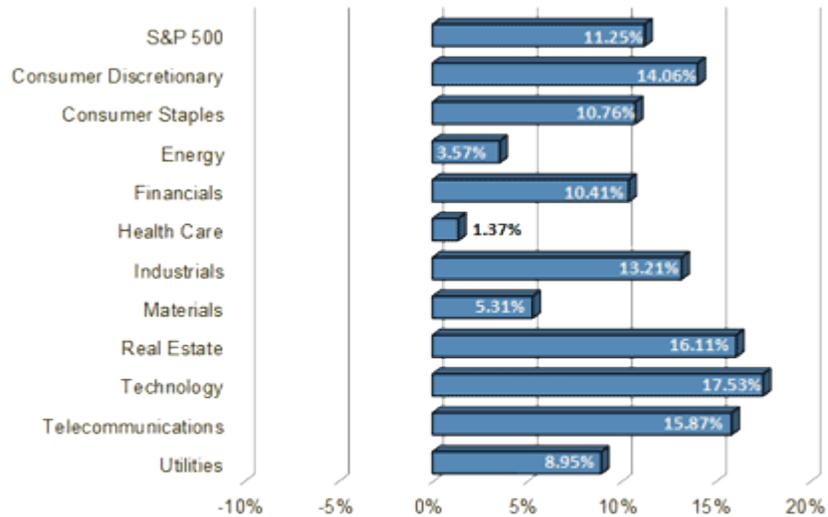
	Last	1 month ago
2-year treasury	2.00	2.35
10-year treasury	2.16	2.56
10-year municipal (TEY)	2.58	2.90

Treasury Yield Curve – 05/31/2019



As of close of business 05/30/2019

S&P Sector Performance (YTD) – 05/31/2019



As of close of business 05/30/2019

Economic Calendar

- June 3** — Construction Spending (April)
- ISM Manufacturing Index (May)
- Motor Vehicle Sales (May)
- June 4** — Fed Chair Powell Speaks (Fed Monetary Policy Framework)
- Factory Orders (April)
- June 5** — ADP Payroll Estimate (May)
- ISM Non-Manufacturing Index (May)

- Fed Beige Book
- June 6** — Jobless Claims (week ending June 1)
- Trade Balance (April)
- June 7** — Employment Report (May)
- June 12** — Consumer Price Index (May)
- June 14** — Retail Sales (May)
- Industrial Production (May)
- June 19** — FOMC Policy Decision
- July 31** — FOMC Policy Decision

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The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. An investment cannot be made directly in these indexes. The performance noted does not include fees or charges, which would reduce an investor's returns. U.S. government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository

institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business May 30, 2019.

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