

THE WEEK IN REVIEW

U.S. markets had a strong week as the S&P 500 rose 2.4% and the Dow Jones gained 2.3%, boosted by strong earnings reports. The U.S. 10-year Treasury yield crossed 3% in the middle of the week, but ended the week slightly lower due to a weaker-than-expected inflation report. Crude oil closed above \$71 after President Trump said new sanctions will be imposed on Iran, OPEC's third largest oil producer.

U.S. consumer prices rebounded less than anticipated in April as increasing costs for gasoline and rental accommodation were offset by lower health care prices. Both headline and core CPI fell short of economists' estimates by 0.1% in April. The data suggest inflation persists but may not force the Federal Reserve to hike rates at a faster pace than the market currently expects. The news boosted markets as the S&P 500 Index crossed above its 100-day moving average.

The NFIB Small Business Optimism Index sustained its historically high level for a 17th consecutive month in April. NFIB Chief Economist Bill Dunkelberg attributes the strong optimism to healthy consumer spending, the new tax law, and lower regulatory barriers. These factors helped small business profits reach the highest level in the NFIB's 45-year history. Additionally, the number of small businesses reporting weak sales declined to a near historic low. Strong profits and sales are leading to new jobs, increased wages, and investment.

After hitting a 14-year high in March, the University of Michigan's Consumer Sentiment Index remained strong in May. Survey respondents increased their inflation expectations to 2.8% from 2.7%, reduced their anticipated income, and predicted stabilization in the unemployment rate rather than a further decline.

The Bank of England (BOE) left interest rates unchanged following slower economic growth of 1.2% in the first quarter, the slowest growth since 2012. BOE's Governor Mark Carney said he believes the economy will regain momentum, which will then justify raising rates further. Some economists are concerned the BOE is running out of time to raise interest rates before the U.K. leaves the European Union next March, an event that carries with it uncertain economic repercussions. The BOE's Bank Rate is currently 0.50%. At the current low interest rate level the BOE would have limited capacity to reduce rates to generate stimulus if Brexit causes an adverse shock.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	104.8	106.9	▼
Producer Price Index (YoY)	2.6%	2.7%	▼
Core Consumer Price Index (YoY)	2.1%	1.8%	▲
U. of Mich. Consumer Sentiment	98.8	99.7	▼
JOLTS Job Openings (Millions)	6.6	5.7	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24831.17	2.34%	0.45%	18.70%
NASDAQ	7402.88	2.68%	7.24%	21.04%
S&P 500 Large Cap	2727.72	2.41%	2.02%	13.92%
MSCI EAFE	2043.79	0.62%	-0.34%	9.97%
Barclays Aggregate US	1998.55	-0.07%	-2.34%	-0.07%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.90%	1.72%	0.87%
10-Year Treasury	2.97%	2.78%	2.39%

REPORTS DUE NEXT WEEK	LATEST
Retail Sales (YoY)	4.5%
Housing Starts (Millions Annualized)	1.32
Leading Economic Indicators	0.3%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

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