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Weekly Insight

June 12, 2019

The S&P 500 was up 1.9% for the week as equity markets staged a bit of a comeback following a nearly 7% pullback that began in May. This week the NASDAQ bounced back with gains of 2.9% while small caps remain the laggard with a rise of 0.9%. Foreign equities are starting to show more signs of entering a window of outperformance. Emerging markets advanced 2.3% on the week, and foreign developed markets were up 1.8%. Bond yields have stabilized following a strong move in May, and the Bloomberg Barclays Aggregate Bond Index gained 0.1% for the week.

The U.S. Bureau of Labor Statistics released their monthly jobs report on Friday. Results were weaker than expected with net job gains of 75,000 versus expectations of 175,000. Prior months were revised lower. The unemployment rate remained unchanged at 3.6%. Job openings decelerated again coinciding with rising job cuts that have been persisting for several months. Despite the weakness, most employment leading indicators are not suggestive of an imminent recession at this time.

President Trump said a deal was reached with Mexico and tariffs would be avoided, but the threat remains tariffs will return should targets not be met. This gave a shot of upside to the equity markets on Monday, and given the bearish sentiment, helped create a bit of forced buying to continue to push prices up. The market narrative will likely focus its attention on the G20 coming up in two weeks. The first step is there needs to be an agreed upon one-on-one meeting between the leaders of the United States and China. Headlines around this will likely impact markets a fair amount in the short-run. Obviously, if it comes out there is no meeting, then equities face a big headwind. Should a meeting transpire, it then sets the stage for more volatility based on the binary outcomes of whether tariff actions will be escalated or measured retreats will begin.

And stuck in between now and the G20 is the Federal Open Market Committee meeting, which is taking on significant importance given the moves in the bond market. The market is telling the Fed to cut whether they want to or not. Odds of a cut are up to 33% in June and 69% in July. It remains a game-theory concept on whether the Fed will act ahead of the G20 or wait for results. This should set the stage for elevated volatility across all asset classes in the coming weeks.

Weekly Market Topics

- Economy
- Fixed Income Markets
- Equity Markets

All data is as of the above referenced date.

Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper bound)	2.50	1.75	0.50
3-Month T-Bill	2.21	1.91	0.31
10-Year Treasury	2.12	2.86	1.85
30-Year Treasury	2.62	3.03	2.65
10-Year Corporate AA	2.98	3.76	2.87
10-Year High Yield Corp.	5.54	6.28	5.98

Commodity Prices ($)	Current	12M Ago	3YR Ago
Gold ($/oz.)	1,333.58	1,301.38	1,204.95
Oil (WTI, $/barrel)	51.14	63.51	53.98

Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	97.00	94.07	95.52
USD/EUR	0.89	0.86	0.90
USD/JPY	108.50	108.91	111.12

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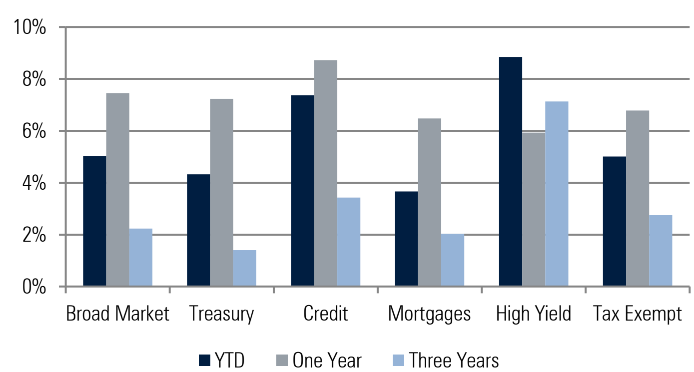
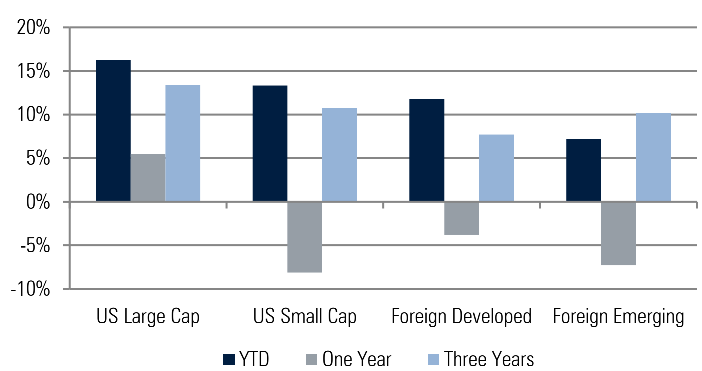
Bond Market Total Returns



Equity Market Total Returns



Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.
The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.