

*In this week's recap: tariffs and U.S.-China trade tensions once again become the talk of Wall Street, and U.S. stocks end up lower, week-over-week.*

# Weekly Economic Update

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*Presented by Pat Baxter, Investment Advisor Representative, May 20, 2019*

## THE WEEK ON WALL STREET

Stocks fell sharply at the start of last week over trade tensions, then recovered with help from strong earnings and indications that U.S.-China trade talks would continue. Even so, the major indices had a down week. The S&P 500 lost 0.76%, while the Nasdaq Composite fell 1.27%, and the Dow Jones Industrial Average declined 0.69%.

In contrast, the MSCI EAFE benchmark for international stocks rose 0.19%.<sup>1-2</sup>

## THE LATEST TRADE DEVELOPMENTS

A broad selloff occurred Monday after China announced it would respond to increased U.S. tariffs by boosting its own import taxes on \$60 billion of U.S. products. Friday morning, the Street breathed a sigh of relief as the Trump administration decided to delay 25% tariffs planned for imported cars and car parts; they had been slated to take effect on May 18. Just hours later, President Trump announced an end to U.S. tariffs on metals coming from Canada and Mexico.

At midweek, Secretary of the Treasury Steven Mnuchin told reporters that he expected the U.S. to resume trade negotiations with China in “the near future.”<sup>3-5</sup>

## EARNINGS SEASON WINDS DOWN

The first-quarter earnings scorecard is nearly complete, as more than 90% of S&P 500 companies have reported actual Q1 results.

Stock market analytics firm FactSet notes that 76% of these firms have beaten consensus earnings-per-share estimates. Overall earnings for S&P 500 components have surpassed expectations by 5.4%. Both of these percentages are above 5-year averages.<sup>6</sup>

## FINAL THOUGHT

The market is quite sensitive to trade developments at the moment, and it is unclear whether this will be a short-term trend or a long-term influence on prices. While the U.S. prepares its next moves, China is also preparing its response to any new U.S. tariffs, which could include manipulating its currency.

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#### TIP OF THE WEEK



*A small, but growing, percentage of companies now offer **student debt assistance** as an **employee benefit**. If you are looking for a new job and have outstanding education debt, research whether a potential employer can help you pay down your student loan balance.*

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#### THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** The April existing home sales report from the National Association of Realtors.

**Wednesday:** Minutes from the Federal Reserve's May policy meeting.

**Thursday:** April new home sales figures from the Census Bureau.

Source: Econoday / MarketWatch Calendar, May 17, 2019

The Econoday and MarketWatch economic calendars list upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

#### THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

**Tuesday:** AutoZone (AZO), Home Depot (HD), Kohl's (KSS), Nordstrom (JWN)

**Wednesday:** Analog Devices (ADI), Lowe's (LOW), Target (TGT)

**Thursday:** Best Buy (BBY), Intuit (INTU), TD Bank (TD)

**Friday:** Foot Locker (FL)

Source: Morningstar.com, May 17, 2019

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

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#### QUOTE OF THE WEEK



*“Every great **mistake** has a halfway moment, a split second when it can be **recalled** and perhaps **remedied**.”*

*PEARL S. BUCK*

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Market Index	Close	Week	Y-T-D
DJIA	25,764.00	-0.69%	+10.44%
NASDAQ	7,816.28	-1.27%	+17.80%
MSCI-EAFE	1,868.61	+0.19%	+8.66%
S&P 500	2,859.53	-0.76%	+14.07%



	Treasury	Close	Week	Y-T-D
	10-Year Note	2.39%	-0.08%	-0.30%

Sources: The Wall Street Journal, May 17, 2019, Treasury.gov, May 17, 2019

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, May 10 to the Friday, May 17 close. Weekly performance for the MSCI-EAFE is measured from the Friday, May 10 open to the Thursday, May 16 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

THE WEEKLY RIDDLE



*Can you name **two perennial vegetables**? (That is, vegetables that don't need to be replanted and can live on to produce in a future growing season?)*

*LAST WEEK'S RIDDLE: Name three words in everyday English that begin with the letters "dw."*

*ANSWER: Any three of these five words will do: dwell, dwelling, dwarf, dweeb, and dwindle.*

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**Know someone who could use information like this?**

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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CITATIONS:

1 - [wsj.com/market-data](http://wsj.com/market-data) [5/17/19]

2 - [quotes.wsj.com/index/XX/990300/historical-prices](http://quotes.wsj.com/index/XX/990300/historical-prices) [5/17/19]

3 - [reuters.com/article/us-usa-trade-china/tough-talk-from-china-leaves-trade-talks-with-u-s-in-limbo-idUSKCN1SN207](http://reuters.com/article/us-usa-trade-china/tough-talk-from-china-leaves-trade-talks-with-u-s-in-limbo-idUSKCN1SN207) [5/17/19]

4 - [marketwatch.com/story/mnuchin-says-he-expects-to-go-to-beijing-to-continue-trade-talks-in-the-near-future-2019-05-15](http://marketwatch.com/story/mnuchin-says-he-expects-to-go-to-beijing-to-continue-trade-talks-in-the-near-future-2019-05-15) [5/15/19]

5 - [npr.org/2019/05/17/724357441/u-s-to-lift-tariffs-on-canadas-and-mexico-s-steel-and-aluminum](http://npr.org/2019/05/17/724357441/u-s-to-lift-tariffs-on-canadas-and-mexico-s-steel-and-aluminum) [5/17/19]

6 - [insight.factset.com/market-punished-sp-500-companies-reporting-negative-eps-surprises-in-q1](http://insight.factset.com/market-punished-sp-500-companies-reporting-negative-eps-surprises-in-q1) [5/17/19]

CHART CITATIONS:

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