

# WeeklyMarket Update



## General Market News

- Last week, equity markets gave back the previous week's gains—and then some—as the S&P 500 lost 3.70 percent. Technical factors continued to influence the direction of the market.
- Emerging market equities were the best relative performers, losing just 0.14 percent. They regained their market leader position after having been fairly quiet the past several weeks in the wake of international turmoil and global economic concerns.
- Economic reports related to housing have continued to show volatility post tax credit expiration. Just as data leading up to the expiration was well above trend, current results are likely well below trend and carry little value.
- There are several important economic releases coming up this week. The highlights are the nonfarm payroll and unemployment rate reports on Friday, which we hope will get the holiday weekend off on the right foot.
- Treasury auctions went off well last week, with strong bids to cover and some very low yields. The 2-year and 5-year did well early in the week; however, the 7-year had the advantage of coming after the Federal Open Market Committee (FOMC) meeting, and the auction was exceptionally strong. The 2-year traded at 0.664 percent, while the 10-year and the 30-year traded at 3.104 percent and 4.074 percent, respectively.
- It seems that demand for the safety trade is here to stay for some time. The FOMC was a little more bearish in its recent statement: "Housing starts remain at a depressed level. Financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad."
- High-yield debt has returned 1.76 percent during June, while bond buyers have moved back into the space. Rating agencies have upgraded corporate credit at the fastest pace in 10 years, as balance sheets have improved.

## % Market Index Performance Data

### EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500 Index	-3.65%	-1.20%	-3.40%	17.00%
Nasdaq Composite	-3.74%	-1.50%	-2.00%	21.50%
Dow Jones Industrial Average	-2.94%	0.10%	-2.70%	19.70%
MSCI EAFE	-1.67%	2.30%	-11.70%	8.30%
MSCI Emerging Markets	-0.14%	2.80%	-3.80%	26.90%
Russell 2000	-3.27%	-2.50%	3.20%	26.70%

## Market Index Performance Data (continued)

## FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Aggregate	1.02%	4.76%	9.62%
U.S. Treasury	1.05%	5.01%	6.62%
U.S. Mortgage-Backed Securities	1.00%	4.33%	7.78%
Municipal Bond	-0.28%	2.96%	9.49%
U.S. Treasury: U.S. TIPS	1.09%	4.07%	10.71%



## What to Look Forward to

The **ISM Manufacturing** index is expected to decrease slightly to 59, reflecting the growth slowdown we've been noticing in this sector. Analysts anticipate that **Pending Home Sales (MoM)** will fall 20 percent. Given the abysmal home data we saw last week, this doesn't seem like an unreasonable prediction.

Analyst consensus suggests that June's **Nonfarm Payrolls**, released this Friday, will decline 75,000 jobs. Without the help of the census, which bolstered May's payrolls, job creation may be stunted. The **Unemployment Rate** is expected to remain elevated at 9.70 percent. Both lagging indicators have remained stubbornly unchanged.

In related news, Democrats were unable to garner the 60 Senate votes necessary to break a Republican filibuster of the extension of the jobs bill. As a result, unemployment benefits will be ended abruptly for 1.3 million Americans. While some economists believe that this will increase incentive to re-enter the workplace—and therefore help improve employment—others fear that a lack of government support will cause jobless Americans to default on debts and send further tremors through the economy.

All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Barclays Capital Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Barclays Capital Mortgage-Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Barclays Capital Municipal Bond Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. The Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index measures the performance of intermediate (1- to 10-year) U.S. TIPS. Rev. 6/10.

Authored by the Investment Research team at Commonwealth Financial Network.