

WeeklyMarket Update



General Market News

- Earnings helped push stocks higher early last week, but equities later lost ground as they struggled against technical trends and economic reports, culminating in a huge drop on Friday.
- There was a noticeable dispersion between value and growth investing styles last week. Financial and technology stocks were the worst- and best-performing sectors, respectively.
- International stocks bucked the trend and gained ground on the week. The weakness in these economies appears to have been discounted in the markets, and stronger currencies gave a boost to performance.
- The U.S. economy is clearly showing signs of slowing. The question that remains is whether this is a mid-cycle pause or the beginning of a double-dip recession. Consumers continue to struggle and unemployment remains high, but in 90 years, there has been only one period (in the early 1980s) when the U.S. economy double-dipped into a recession.
- Last week, the Federal Reserve released notes from the recent FOMC meeting; the Fed's stance on the economy has become decidedly bearish.
- FOMC meeting minutes showed an economy that is expected to struggle in the second half of the year, mostly due to sustained high unemployment and a slumping housing market.
- Treasuries came off higher yields earlier last week to head back below 3 percent and 4 percent on the 10-year and 30-year, respectively.
- Municipal issuance has come back into favor, as two consecutive weeks of both tax-exempt and taxable bonds come to market.

% Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500 Index	-1.21%	3.30%	-4.50%	13.20%
Nasdaq Composite	-0.79%	3.50%	-4%	15.60%
Dow Jones Industrial Average	-0.97%	3.40%	-3.20%	15.90%
MSCI EAFE	2.43%	7.50%	-8.30%	9.80%
MSCI Emerging Markets	0.56%	4.30%	-3.30%	23.80%
Russell 2000	-2.99%	0.20%	-2.40%	17.00%

Market Index Performance Data (continued)

FIXED INCOME

Index	Month-to-Date (MTD) %	Year-to-Date (YTD) %	12-Month %
U.S. Aggregate	0.37%	5.72%	9.56%
U.S. Treasury	0.10%	5.96%	6.88%
U.S. Mortgage-Backed Securities	0.40%	4.87%	7.72%
Municipal Bond	0.69%	4.03%	8.96%
U.S. Treasury: U.S. TIPS	-0.38%	4.01%	10.45%



What to Look Forward to

Earnings season kicks into high gear starting this week, as close to 200 companies are expected to release second-quarter results.

After the extremely weak data we saw from the housing market last month, investors will be keenly interested to see whether **Housing Starts** and **Building Permits** improve—or at least show signs of bottoming. Currently, analysts are forecasting 2.20-percent and 0.70-percent declines, respectively. Relative to last month, these predictions look optimistic.

This week will be particularly heavy on housing data. On Friday, **Existing Home Sales** are expected to suffer an 8.10-percent decline. This is something

of a lagging indicator because, in the past few months, it has continued to include houses whose selling agreements were signed prior to the April 30 expiration of the tax rebate. As a result, investors should not view this as a bellwether for the housing market.

A final release worth watching this week is the **Leading Indicators**, which offers a broad-based view of where the economy might be headed. Analysts expect a 0.30-percent decline in this area. Economic news has not been cheery recently, and investors have been taking note. If the actual report varies significantly from predictions, markets could react.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. 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. 7/10.

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