MARKET MONTH: MAY 2019

The Markets (as of market close May 31, 2019)

Stocks fell sharply in May, closing out their worst month since last December. Each of the benchmark indexes posted month-over-month losses exceeding 6.5%. While market performance has largely swung on trade rhetoric, it appears investors have reached their boiling point and are moving away from stocks and floating toward bonds, pushing yields on 10-year Treasuries down (-37 bps in May) as bond prices soared. Oil prices fell sharply on trade tensions and a slowing Chinese economy. For the month, small caps and tech stocks lost almost 8.0%, followed by the large caps of the Dow and the S&P 500. Year-to-date, only the Nasdaq remains more than 10% ahead of its 2018 closing value.

By the close of trading on May 31, the price of crude oil (WTI) was $53.33 per barrel, down from the April 30 price of $63.42 per barrel. The national average retail regular gasoline price was $2.822 per gallon on May 27, up from the April 29 selling price of $2.623, but $0.140 less than a year ago. The price of gold rose by the end of May, climbing to $1,310.30 by close of business on the 31st, up from its $1,285.10 price at the end of April.

Market/Index	2018 Close	Prior Month	As of May 31	Month Change	YTD Change
DJIA	23327.46	26592.91	24815.04	-6.69%	6.38%
NASDAQ	6635.28	8095.39	7453.15	-7.93%	12.33%
S&P 500	2506.85	2945.83	2752.06	-6.58%	9.78%
Russell 2000	1348.56	1591.21	1465.49	-7.90%	8.67%
Global Dow	2736.74	3099.65	2888.03	-6.83%	5.53%
Fed. Funds	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
10-year Treasuries	2.68%	2.50%	2.13%	-37 bps	-55 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Latest Economic Reports

- **Employment:** Total employment vaulted by 263,000 in April after adding 189,000 (revised) new jobs in March. The average monthly job gain in 2019 was 213,000 per month (223,000 in 2018). Notable employment increases for April occurred in professional and business services (76,000), construction (33,000), and health care (27,000). The unemployment rate fell 0.2 percentage point to 3.6% in April, the lowest rate since December 1969. The number of unemployed persons decreased by 387,000 to 5.8 million. The labor participation rate dropped 0.2 percentage point for the second consecutive month to 62.8% in April, while the employment-population ratio was unchanged at 60.6%. The average workweek decreased by 0.1 hour to 34.4 hours for April. Average hourly earnings increased by $0.06 to $27.77. Over the last 12 months ended in April, average hourly earnings have risen 3.2%.

- **FOMC/interest rates:** As expected, the Federal Open Market Committee did not change interest rates following its latest meeting during the first week of May. On the plus side, the Committee noted that economic activity was running at a solid rate, as was the labor market. However, household spending declined as did inflation, which was running below the FOMC's 2.0% target rate.

- **GDP/budget:** The second estimate of the first-quarter gross domestic product showed the economy grew at an annualized rate of 3.1% (3.2% for the initial estimate). The GDP expanded at a rate of 2.2% for the fourth quarter of 2018. Driving the growth rate increase was an upturn in state and local government spending, accelerations in private inventory investment and in exports, and a smaller decrease in residential investment. These movements were partly offset by decelerations in consumer spending and nonresidential fixed investment (business spending on equipment, structures, software, etc.), and a downturn in federal government spending. Imports declined. The federal budget enjoyed a surplus of $160.3 billion in April ($214.3 billion in April 2018), largely due to individual income tax payments. Through the first seven months of the fiscal year, the government deficit sits at $530.9 billion. Over the same period for fiscal year 2018, the deficit was $385.4 billion.

- **Inflation/consumer spending:** Inflationary pressures remain weak as consumer prices are up 1.5% over the last 12 months ended in April. Consumer prices excluding food and energy are up 1.6% over the same 12-month period. For the month, consumer prices rose 0.3% over March, when prices increased 0.2%. In April, consumer spending rose 0.3% (1.1% in March). Personal income climbed 0.5% in April after increasing 0.1% in March. Disposable (after-tax) income rose 0.4% in April after advancing 0.1% in March.

- The Consumer Price Index increased 0.3% in April after rising 0.4% in March. Over the 12 months ended in April, the CPI rose 2.0%. The gasoline index continued to increase, rising 5.7% and accounting for over two-thirds of the monthly increase. Core prices, which exclude food and energy, climbed 0.1% for the third consecutive month in April. Core prices were up 2.1% over the previous 12 months ended in April.

- According to the Producer Price Index, the prices companies received for goods and services rose 0.2% in April after climbing 0.6% in March. The index increased 2.2% for the 12 months ended in April. The index less foods, energy, and trade services moved up 0.4% in April, the largest increase since rising 0.5% in January 2018.

- **Housing:** While new home sales have continued to expand, the market has been slower for existing home sales, which fell 4.0% in April after dropping 4.9% in March. Year-over-year, existing home sales remain down 4.4%. The April median price for existing homes was $267,300, up from $259,400 the prior month. Existing home prices were up 3.6% from April 2018. Total housing inventory for existing homes for sale in April increased to 1.83 million (4.2-month supply), up from 1.67 million existing homes available for sale in March. Sales of new single-family houses in April were 6.9% lower than March, but 7% higher than their April 2018 estimate. Falling prices and a few more houses on the market have helped drive sales activity. The median sales price of new houses sold in April was $342,200. The average sales price was $393,700. Inventory was at a supply of 5.9 months in April.

- **Manufacturing:** The manufacturing sector continued to sputter in April, as industrial production edged down 0.5% after falling 0.1% in March. Output is now reported to have declined 1.9% at an annual rate in the first quarter. Manufacturing production also decreased 0.5% in April after being unchanged in March. Total industrial production was 0.9% higher in April than it was a year earlier. After showing signs of life during the first quarter, durable goods orders fell 2.1% in April after rising 1.7% (revised) in March. Transportation equipment drove the decrease, dropping 5.9% for the month.

- **Imports and exports:** Import prices advanced 0.2% in April after increasing 0.6% in March. Higher fuel prices (+2.5%) drove the April increase. Excluding fuel, prices paid for imports edged down 0.1% in April. Prices received for exports also rose 0.2% in April following a 0.6% jump the prior month. Agricultural exports decreased 1.5% in April, while nonagricultural export prices rose 0.4%. Prices for imports from China declined 0.2% in April, and have fallen 1.1% over the past 12 months—the largest over-the-year drop since the index fell 1.1% in May 2017. The latest information on international trade in goods and services, out May 9, is for March and shows that the goods and services deficit increased to $50.0 billion, up from the $49.3 billion deficit in February. March exports were $212.0 billion, $2.1 billion more than February exports. March imports were $262.0 billion, $2.8 billion more than February imports. Year-to-date, the goods and services deficit decreased $5.8 billion, or 3.7%, from the same period in 2018. The advance report on international trade in goods (excluding services) revealed the trade deficit to be $72.1 billion in April, up $0.2 billion from March. Goods exports in April were $5.9 billion less than the prior month, while imports of goods were $6.5 billion less than March.

- **International markets:** European Union elections held last week saw the highest turnout in 27 years and resulted in big wins for the Brexit Party and Liberal Democrats, and a devastating turn for Conservatives. Following Prime Minister Theresa May's resignation announcement earlier in the week, the prospects of a negotiated Brexit deal are slim at best. As it stands, Great Britain will leave the European Union on October 31—deal or no deal—unless there's another extension to negotiate a deal or Great Britain decides to forgo Brexit altogether. The trade dispute involving the United States and China continues to affect other nations, as Japan expects its industrial production to weaken, impacted by the trade tensions between the two world economic giants.

- **Consumer confidence:** The Conference Board Consumer Confidence Index® jumped from 129.2 in April to 134.1 in May, as consumers saw improvements in current business and labor market conditions.

Eye on the Month Ahead

The trade negotiations between the United States and China continue to play a major role in the domestic economy overall, and the stock market specifically. Industrial production fell in April, while sales of existing homes continued to flounder. Both sectors look to rebound heading into the summer months.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

Insurance Products guarantees are subject to the financial strength and claims-paying ability of the issuing company, and may be subject to restrictions, limitations or early withdrawal fees. Annuities are not FDIC insured.

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

This communication is strictly intended for individuals residing in the state(s) of AZ, CA, CT, FL, GA, IL, IN, KY, MD, MA, MT, NJ, NM, NY, NC, OK, PA, SC, TX, VA, WA and WV. No offers may be made or accepted from any resident outside the specific states referenced.