



**Economic & Market Commentary**

Stocks traded higher for most of last week until Friday when China announced new tariffs on \$75 billion worth of U.S. goods and the U.S. retaliated by increasing the tariff rates on all China imports. The escalation in the trade war sent stocks sharply lower on Friday and moderately lower for the week. The bond market continues to signal an expected slowdown in economic activity. The yield curve further inverted as short-term rates rose and most long-term yields moved lower. Let's take a brief look back on when the tariffs started. On the heels of pro-growth tax reform in late 2017 came the restraints of tariffs. To not much fanfare, the Trump administration first imposed tariffs in late January 2018 when it levied tariffs on solar panels and washing machines. Shortly thereafter, came tariffs on steel and aluminum with justification being tied to national security. The markets took notice then and have paid close attention ever since. Since February 1, 2018, most broad stock market index total returns are negative with the lone positive return being the S&P 500 which is up 4.1%. The Trump administration's strategy is to impose tariffs and negotiate trade deals from a position of U.S. economic strength. To weaken the China economy enough through tariffs to force them to the bargaining table. The longer this trade war has endured, the more uncertainty and economic disruption it has caused, and will most certainly continue to do so. It is clearly evident the strength of the U.S. economy is moderating making the Trump administration's bargaining position more tenuous. Hopefully, reason and compromise will soon prevail in the economic power struggle between the U.S. and China. If not, the bigly trade-war stone rolling down hill is going to gather steam and create more economic and market havoc.

**Total Returns - August 23, 2019**

	1-Wk	YTD	1-Yr
NASDAQ	-1.81	17.67	-0.52
S&P 500	-1.42	15.08	1.69
Dow Jones	-0.98	11.64	2.28
S&P 400	-1.94	11.61	-7.84
Russell 2000	-2.27	9.17	-13.78
MSCI-Developed	0.86	8.68	-3.37
MSCI-Emerging	0.37	2.72	-4.71
<b>Barclay's U.S. Bond Index</b>			
High Yield	0.72	10.46	6.17
Aggregate	0.08	8.87	9.78
Municipal	-0.12	7.48	8.56
Int. Gov. Credit	0.10	6.70	7.98
5-year Muni	-0.20	5.34	6.33

**10-year and 2-year Treasury Bond Yield Spread**



**U.S. Treasury Yields**

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	1.73	1.71	2.43
U.S. 2-Yr	1.53	1.47	2.60
U.S. 3-Yr	1.45	1.43	2.67
U.S. 5-Yr	1.41	1.41	2.71
U.S. 10-Yr	1.52	1.54	2.82
U.S. 30-Yr	2.02	2.00	2.97

**S&P 500 - Sector Total Returns - August 23, 2019**

Sector	1-Wk	YTD	1-Yr
Real Estate	-0.26	26.20	19.94
Info Tech	-1.41	25.48	6.65
Consumer Staples	-1.11	19.26	13.56
Consumer Discretionary	0.15	18.24	2.31
Utilities	0.20	18.10	18.93
Communication Services	-2.00	17.19	5.08
Industrials	-1.59	14.76	-2.10
Financials	-1.87	10.70	-5.33
Materials	-3.04	9.90	-4.03
Health Care	-1.95	3.58	-1.20
Energy	-1.91	-0.61	-21.79

**Municipal Yields - Bloomberg/Barclays Index**

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	1.44	1.40	2.40
U.S. AA	1.52	1.48	2.51
U.S. A	1.81	1.79	2.85
U.S. Baa	2.41	2.40	3.42
U.S. Municipal	1.66	1.62	2.66
Michigan	1.75	1.72	2.78

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	16.23	14.89	1.94
S&P 400 - Mid Cap	15.29	15.57	1.68
S&P 600 - Small Cap	16.82	15.69	1.65