

# CAPITAL MARKETS REPORT - JUNE 3, 2019



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## Market Movers:

- Escalating trade war sends bond yields sharply lower
- Equities decline for fourth straight week
- A new front opened on the trade war last week when President Trump threatened to place tariffs on goods imported from Mexico. The unexpected move increased the already high level of uncertainty that markets have come to expect from President Trump regarding trade policy. The administration said that the new tariffs on Mexico are unrelated to the recently negotiated NAFTA replacement. The willingness and ability of the president to place tariffs on countries without any other government oversight has caused other trading partners to question the value of previously negotiated trade agreements.
- Trade relations with China appeared to deteriorate last week with the communist country suggesting that they may begin blacklisting foreign countries that are not supportive of their government. Chinese media reported that the country may begin limiting the export of rare-earth minerals. China controls about 80% of the world's rare-earth supply, which are widely used in technology and defense products.
- Largely as a result of growing trade concerns, investors became far more pessimistic about the future of the economy last week. The expectations of a rate cut increased significantly. Fed funds futures are now pricing in a 53% chance that a 25bps reduction will occur at next month's (July 30-31) meeting. A few weeks ago, a cut that soon was extremely unlikely.
- Fed officials continue to publicly urge markets to hold off on reaching a conclusion about future policy and the economies direction. While policymakers urge patience, the market appears to have made up its mind.

## Market Last Week

	5/24/19 Close	5/31/19 Close	Weekly Change
2 yr. note	2.16%	1.92%	-24 bps
5 yr. note	2.12%	1.91%	-21 bps
10 yr. note	2.32%	2.13%	-19 bps
30 yr. bond	2.75%	2.57%	-18 bps
1 Mo. LIBOR	2.42813	2.43050	+0.0024

## Data This Week

Date/Time (EDT)	Economic Data	Market Estimate	Prior Report
6/03/19 10:00 AM	ISM Manufctring (May)	53.0	52.8
6/03/19 10:00 AM	Construction Spending (Apr)	0.4%	-0.9%
6/04/19 10:00 AM	Factory Orders (Apr)	-1.0%	1.9%
6/05/19 8:15 AM	ADP Employment Change (May)	185k	275k
6/05/19 10:00 AM	ISM Non-Manf. Index (May)	55.4	55.5
6/05/19 2:00 PM	Fed Beige Book	n/a	n/a
6/06/19 8:30 AM	Initial Jobless Claims (Jun 1)	215k	215k
6/06/19 9:45 AM	B'berg. Consumer Comfort (Jun 2)	—	60.8
6/07/19 8:30 AM	Change Nonfarm Payrolls (May)	183k	263k
6/07/19 8:30 AM	Change in Private Payrolls (May)	175k	236k
6/07/19 8:30 AM	Unemployment Rate (May)	3.6%	3.6%
6/07/19 8:30 AM	Average Hourly Earnings (May)	3.2%	3.2%

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