



## THE WEEK IN REVIEW

In one of the more anticipated releases this week, Friday's employment report disappointed as it pointed to a slowdown in the labor market. Nonfarm payrolls only grew by 160,000 jobs in April, well below analyst expectations of 203,000. The unemployment rate was unchanged at 5.0%, possibly due in part to the participation rate dropping 0.2% to 62.8% due to shifting demographics. This drop reflects the first contraction in the labor force in seven months. Within industry sectors, mining contracted yet again, losing 7,000 jobs in April, while professional and business services, a closely watched indicator, grew by 65,000 jobs. This number is important as it generally signals a need for more and permanent hiring in the coming months. Financial services were also strong, growing by 20,000 jobs, while manufacturing was up 4,000 on the month, mostly in the auto industry. This was perhaps foreshadowed by Wednesday's ADP private sector employment report for April, which showed employers adding 156,000 jobs, the weakest growth since February 2014 and well below expectations of 193,000.

Though far from full health, the U.S. factory sector has appeared to stabilize. On Monday, the Institute for Supply Management (ISM) said its index of manufacturing activity fell to 50.8 in April from 51.8 in March. For a second straight month, however, the measure remained above 50, the threshold that divides expansion from contraction. Before rebounding over the past few months, the factory sector was plagued by low oil prices that squeezed the domestic energy sector, while a strong dollar and weakness overseas depressed demand for exports. The ISM Non-Manufacturing report for the month of April was also released this week and surpassed economists' expectations. Non-manufacturing activity rose to 55.7 from 54.5 the month before, marking the best reading of the year.

U.S. construction spending advanced 0.3% in March to its highest level in more than eight years, according to a report from the Commerce Department on Monday. This rise comes after a 1% gain in February and brought total spending to a seasonally adjusted annual rate of \$1.14 trillion, the highest level since October 2007. The February increase represented an upward revision by the government from its initial estimate that spending had fallen 0.5% that month.

Average hourly earnings were one positive aspect to the employment report, growing 0.3% on the month and 2.5% year over year. This reflects a growing sentiment in the marketplace that labor market conditions are tighter, with firms saying they are having trouble finding suitably skilled workers. A potential threat to wages and employment going forward is corporate profits, as many companies will look to control labor costs and hiring in the face of weak profits. Looking at the NFIB's report for March, the increases appear to be coming from small businesses.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,740.63	-0.19%	1.81%	-1.02%
NASDAQ	4,736.16	-0.82%	-5.42%	-4.23%
S&P 500 LargeCap	2,057.14	-0.40%	0.65%	-1.48%
S&P 400 MidCap	1,452.71	-0.61%	3.87%	-3.49%
S&P 600 SmallCap	687.93	-0.95%	2.41%	-2.58%
MSCI EAFE	1,639.22	-3.19%	-4.49%	-14.22%
MSCI Emerging Markets	809.46	-3.66%	1.93%	-22.20%

Barclays Aggregate US	0.28%	3.72%	3.91%
Bloomberg Non-US Govt Bond	-0.36%	5.83%	2.19%
Bloomberg US Treasury Index	0.44%	3.52%	3.94%
Bloomberg High Yield Index	-0.47%	7.23%	-0.92%

FTSE/NAREIT All REIT Index	4.06%	7.15%	8.67%
Bloomberg Commodity Index	-2.49%	6.15%	-20.25%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.19%	0.23%	0.01%
2-Year Treasury	0.73%	0.72%	0.62%
5-Year Treasury	1.23%	1.17%	1.54%
10-Year Treasury	1.78%	1.73%	2.19%
30-Year Treasury	2.63%	2.54%	2.90%
Municipal Bond Yields (10 Yr)	1.59%	1.67%	2.20%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified. Returns include reinvestment of dividends, if any and there is no guarantee they will continue.

## UPCOMING WEEK

Next week will be slower for releases. The NFIB Small Business Index for April and Job Openings from March will be released on Tuesday, followed by retail sales and the Producer Price Index for April, and May's Consumer Sentiment on Friday. Retail sales are expected to rebound to around 0.8% after March's 0.3% decline, and PPI is forecasted to grow by 0.3%, after decreasing by 0.1% in March.

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