



THE WEEK IN REVIEW

Stocks traded choppy this week as there was no clear conviction among buyers and sellers. The S&P 500 Index experienced its largest gain in two months on Tuesday with an increase of 1.25%, followed by its largest loss in a month on Wednesday with a fall of 0.96%. The latest weekly sentiment survey from the American Association of Individual Investors showed a continued decline in bullish sentiment. Surprisingly, there has not been a spike in bearish sentiment, leaving individual investors feeling indifferent about the market in general.

Retail sales in April recorded the largest monthly advance since March 2015 with sales up 1.3%. The growth was led by autos, gasoline stations, and non-store retailers, including online sites such as Amazon. Higher oil prices provided a big boost to gasoline station sales which rose 2.2% in the month. The strong retail sales report relieved worries about consumer spending following dismal earnings reported this week from several retailers. Retailers including Macy's (M), Nordstrom (JWN), Kohl's (KSS), and J.C. Penney (JCP) reported sharp drops in earnings and relied on large markdowns to reduce unsold inventory in the quarter. Many retail executives are attributing weaker earnings to consumer habits shifting toward travel and restaurants rather than apparel. However, a potentially larger threat is losing market share to Amazon. Morgan Stanley estimates that Amazon's apparel market share has risen to 7%, which is second behind Wal-Mart, and forecasts their market share to reach 19% by 2020.

Small business confidence rebounded from a two-year low in April. It was the first increase this year in the NFIB Small Business Optimism Index, but according to NFIB Chief Economist William Dunkelberg, "small business owners remain extremely pessimistic about the economy." Slow economic growth and the poor political climate were the most frequently cited reasons for why small business owners think now is a bad time to expand. Another area of concern is finding qualified workers. The number of business owners hiring or trying to hire rose 5% to 53%; however, 46% reported few or no qualified applicants for their job openings. Twelve percent of business owners cited difficulty of finding qualified workers as the biggest business problem.

The Job Openings and Labor Turnover Survey has shown finding qualified workers is not an issue isolated to small business owners, but rather an issue many businesses are dealing with. Job openings rose 5.7% in March to 5.757 million, the second highest level in history. The March survey reported there were 465,000 more job openings than hires. Hires consistently exceeded job openings from 2001 until 2015 when that trend reversed, indicating employers are having difficulty filling positions. Deutsche Bank recently provided further evidence of this issue in a report showing the average time to fill a job has reached 27 days, the highest level since at least 2001.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,535.32	-1.16%	0.63%	-4.03%
NASDAQ	4,717.68	-0.39%	-5.79%	-6.55%
S&P 500 LargeCap	2,046.61	-0.52%	0.13%	-3.59%
S&P 400 MidCap	1,440.60	-0.83%	3.00%	-5.92%
S&P 600 SmallCap	677.30	-1.55%	0.83%	-5.28%
MSCI EAFE	1,631.71	-0.46%	-4.93%	-15.72%
MSCI Emerging Markets	806.68	0.17%	1.58%	-21.98%

Barclays Aggregate US	0.06%	3.66%	3.98%
Bloomberg Non-US Govt Bond	0.48%	6.35%	3.36%
Bloomberg US Treasury Index	0.05%	3.43%	4.34%
Bloomberg High Yield Index	0.36%	7.38%	-0.71%

FTSE/NAREIT All REIT Index	-1.27%	5.79%	6.68%
Bloomberg Commodity Index	1.29%	7.52%	-19.54%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.29%	0.23%	0.02%
2-Year Treasury	0.76%	0.75%	0.59%
5-Year Treasury	1.22%	1.22%	1.57%
10-Year Treasury	1.71%	1.77%	2.27%
30-Year Treasury	2.55%	2.58%	3.07%
Municipal Bond Yields (10 Yr)	1.53%	1.66%	2.27%

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

The Consumer Price Index will be released Tuesday. Economists are expecting higher inflation as higher oil prices likely boosted consumer prices. Sales of previously owned homes are projected to have risen for a second straight month in April. Investors will get further insight into the Fed's April meeting with the release of its meeting minutes on Wednesday. Also on Wednesday, Japan will announce first quarter economic growth. Japan's economy is forecasted to have grown after contracting in the last quarter of 2015.

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