

# WEEKLY MARKET UPDATE

April 29, 2019

## Last Week Review

**Modest gain for global equities driven by the U.S.** Global equities returned 0.4% last week with the U.S. as the only major equity region in positive territory<sup>1</sup>. Following the modest gain, global equities are up 15.9% year-to-date, led by an 18.5% return in the U.S. and healthy double-digit returns in non-U.S. developed markets and emerging markets<sup>2</sup>. Reviewing the fixed income markets, the 10-year Treasury yield dipped to 2.50% after the positive U.S. GDP print (see below)<sup>3</sup>. Despite the surprise, weakness in consumer spending may have contributed to the market's expectation of lower growth.

**U.S. set to remove waivers on Iran oil imports.** Last year, the U.S. reinstated sanctions on Iran (in a Trump administration reversal of an Obama administration deal with Iran), but allowed waivers for some nations (including China). These waivers are now scheduled to end<sup>4</sup>. Crude oil prices responded to the news of expected lower future supply by jumping 2.9% on Monday, but finished mostly flat over the last week. Oil prices are now around 35% higher than the start of the year<sup>5</sup>. This U.S. policy decision, combined with other supply disruptions (Venezuela, Libya) could eventually lead to higher oil prices over the course of 2019 if other sources don't fill the supply<sup>6</sup>.

**U.S. GDP grows 3.2% higher in first quarter.** The global growth picture was mixed last week with U.S. GDP reporting well above economist surveys. Volatile GDP components, trade and inventories, offset weakness in consumer and business spending. Meanwhile in Germany, business outlook surveys fell below expectations and the prior month's reading. Investor concern over slowing global growth in 2019 has been a theme since the middle of 2018. To support growth, central banks around the world have committed to accommodative policies by placing a hold on future interest rate hikes. The Bank of Japan, which met last Wednesday, committed to leaving its main policy rate unchanged through the spring of 2020<sup>7</sup>.

**Caterpillar beats expectations, but faces cost pressures.** Despite profit and revenue beats in the first quarter, investors expressed concerns on the news that Caterpillar's (CAT) construction equipment sales decreased in every region except North America. Cost pressures relating to labor, capital and tariffs were affecting the company's ability to compete in China. CAT expects tariffs to impact its second quarter results, but dwindle in the second half of the year<sup>8</sup>. So far, 230 S&P 500 companies (46%) have reported earnings growth of 2.0% year-over-year (y/y) and sales growth of 3.7% y/y<sup>9</sup>. Earnings growth remains ahead of consensus expectations while revenue growth is very close to expectations.

## FINANCIAL MARKET SNAPSHOT

(Unless indicated – all data as of 4/26/2019)

### LAST WEEK'S MARKET DATA

	Last	ΔW	ΔYTD
Dow Jones Ind. Avg.	26,543	-0.1%	14.6%
S&P 500	2,940	1.2%	18.0%
MSCI ACWI	524	0.4%	15.9%
U.S. Dollar (DXY)	98.01	0.6%	1.9%
Gold (\$/oz)	1,285	1.0%	0.3%
WTI Crude Oil (\$/bbl)	63.30	-1.1%	39.4%
10-year Treasury (%)	2.50	-0.06	-0.19
2-year Treasury (%)	2.28	-0.10	-0.21
Investment Grade OAS (%)	1.04	0.00	-0.39
High Yield OAS (%)	3.59	0.05	-1.67

ΔW = Weekly change, ΔYTD = Year-to-date change

### LAST WEEK'S ECONOMIC DATA

	Prior	Survey	Actual
M Existing Home Sales m/m	11.2%	11.8%	-4.9%
Tu Europe Consumer Conf.	-7.2	-7.0	-7.9
Tu New Home Sales	662k	650k	692k
Th Japan Ret. Sales m/m	0.4%	n.a.	0.2%
Th Durable Goods Orders m/m	-1.1%	-1.6%	2.7%
Th Japan Jobless Rate	2.3%	2.4%	2.5%
Th Japan Ind. Prod. y/y	-1.1%	-3.7%	-4.6%
F GDP Annualized q/q SAAR	2.2%	2.2%	3.2%
F U of Mich. Sentiment	98.4	97.0	97.2
F Germany Ret. Sales y/y	3.1%	3.0%	4.7%

Survey = Bloomberg consensus. U.S. data unless otherwise stated.

## This Week Preview

**Tech-focused earnings week ahead.** Companies focused on technology will hold investors' attention this week with Alphabet (GOOGL) and Apple (AAPL) reporting earnings on Monday and Tuesday, respectively. The tech sector has barely any earnings growth compared to the year prior. However, technology's roughly flat earnings are still above consensus expectations. Other companies highlighted this week include General Electric (GE), McDonald's (MCD), Pfizer (PFE) and Merck & Co. (MRK)<sup>10</sup>.

**No policy change expected in Fed meeting.** The Federal Reserve meets this Wednesday with little expectation for a policy change. In economic data this week, February's delayed core Personal Consumption Expenditures (PCE) reading will be released on Monday. Economists expect the number to fall short of the Fed's 2% target as it has for much of the last decade. The continued shortfall may motivate the Fed to reconsider how it targets inflation. A move to aggressively aim above the 2% target will likely require a reduction to the Fed funds rate. Markets are now assigning a 66% probability of an interest rate cut by the end of 2019.

**Jobs added figure expected to remain near the 3-month average.** The U.S. labor market is expected to remain strong, with surveys expecting April's jobs added figure to reflect 185k new jobs. Wage growth is expected to remain unchanged at 3.2% y/y, while the unemployment rate is also expected to remain stable at 3.8%.

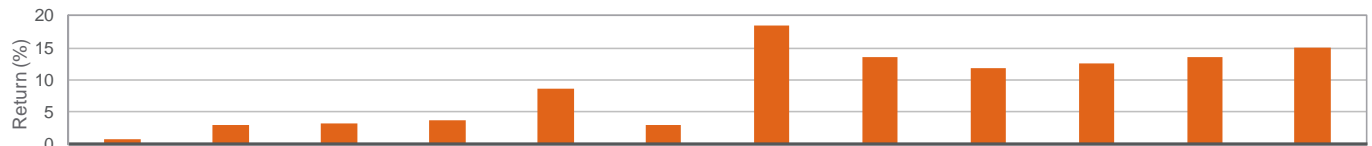
## THIS WEEK'S DATA

	Prior	Survey	Actual
M PCE Core y/y	1.8%	1.9%	-
Tu Germany Consumer Conf.	10.4	10.3	-
Tu Europe Unemployment Rate	7.8%	7.8%	-
Tu Consumer Confidence	124.1	126.5	-
W China Caixin Mfg PMI	50.8	51.0	-
W ISM Manufacturing PMI	55.3	55.0	-
Th Initial Jobless Claims	230k	220k	-
F Unemployment Rate	3.8%	3.8%	-
F Δ Nonfarm Payrolls	196k	185k	-
F Avg. Hourly Earnings y/y	3.2%	3.2%	-

 Survey = Bloomberg consensus. U.S. data unless otherwise stated.  
 Source: Bloomberg. Data as of 4/26/2019.

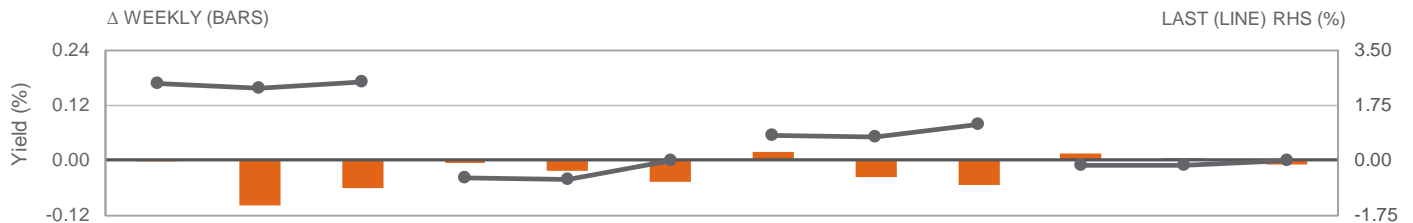
(Unless indicated – all data as of 4/26/2019)

**ASSET CLASS RETURNS**    ■ Δ Year-to-date



	FIXED INCOME						EQUITIES			REAL ASSETS		
	Cash	Inv. Grade	Muni.	TIPS	High Yield	Emerg. Markets	U.S.	Dev. Ex-U.S.	Emerg. Markets	NR	GRE	GLI
Δ WEEKLY	0.1	0.4	0.5	0.6	0.2	-1.3	1.2	-0.2	-1.4	-2.0	0.8	0.9
Δ YEAR-TO-DATE	0.8	3.0	3.2	3.6	8.7	2.9	18.5	13.5	11.7	12.6	13.6	15.1

**INTEREST RATES**    ■ Δ Weekly (LHS)    ● Last (RHS)



	UNITED STATES			EUROZONE (GERMANY)			UNITED KINGDOM			JAPAN		
	3-Month	2-Year	10-Year	3-Month	2-Year	10-Year	3-Month	2-Year	10-Year	3-Month	2-Year	10-Year
Δ WEEKLY (LHS)	0.00	-0.10	-0.06	-0.01	-0.02	-0.05	0.02	-0.04	-0.06	0.01	0.00	-0.01
LAST (RHS)	2.41	2.28	2.50	-0.57	-0.60	-0.02	0.76	0.73	1.14	-0.17	-0.15	-0.04

**CURRENCY RETURNS (%)**

	DXY (\$ Index)	TW\$ (Trade Wt)	JPY (Japan)	CNY (China)	CAD (Canada)	CHF (Switz.)	GBP (UK)	INR (India)	EUR (Euro)	MXN (Mexico)	AUD (Aussie)	KRW (Korea)
Δ WEEKLY	0.6	0.5	0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.8	-0.9	-1.5	-1.9
Δ YEAR-TO-DATE	1.9	1.0	-1.8	2.2	1.4	-3.7	1.3	-0.3	-2.8	3.7	-0.1	-3.9

Note: Currency returns are in relation to USD; DXY and TW\$ are against a basket of currencies.

**S&P 500 SECTOR RETURNS (%)**

	Health Care	Comm. Services	Cons. Discr.	Utilities	Financials	Real Estate	S&P 500	Tech	Cons. Staples	Industrials	Energy	Materials
Δ WEEKLY	3.7	2.7	1.5	1.4	1.4	1.3	1.2	1.0	0.1	-1.0	-1.3	-1.3
Δ YEAR-TO-DATE	3.5	23.6	23.0	10.7	17.0	16.8	18.0	27.3	13.3	21.1	16.7	13.5

Source: Northern Trust Global Asset Allocation, Bloomberg. ΔWeekly = Weekly change, Δ Year-to-date = Year-to-date change. Data as of 4/26/2019.

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**ENDNOTES**

1. Bloomberg, MSCI ACWI (All Country World Index) returns 22Apr2019 – 26Apr2019. MSCI U.S. Equities IMI Index returns 22Apr2019 – 26Apr2019.
2. Bloomberg, MSCI ACWI (All Country World Index) returns 02Jan2019 – 26Apr2019. MSCI U.S. Equities IMI Index returns 02Jan2019 – 26Apr2019. MSCI World ex-U.S. 02Jan2019 – 26Apr2019. Bloomberg, MSCI Emerging Market Equities Index returns 02Jan2019 – 26Apr2019.
3. Bloomberg, 10-Year Treasury Rate 22Apr2019-26Apr2019.
4. Euronews. Da Silva Marques, Joao Vitor & Sanfor, Alasdair. China opposes US sanctions strategy and says bilateral cooperation with Iran is legal. Retrieved on 29Apr2019 from <https://www.euronews.com/2019/04/22/china-opposes-us-sanctions-strategy-and-says-bilateral-cooperation-with-iran-is-legal>
5. Macrotrends WTI Crude Oil Prices- 10 Year Daily Chart. Retrieved on 29Apr2019 from <https://www.macrotrends.net/2516/wti-crude-oil-prices-10-year-daily-chart>
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## TABLE DESCRIPTIONS & INDICES USED

Where applicable, information is from Bloomberg and return calculations are from Northern Trust Investment Strategy and based on the last trading day of the prior week as determined by the date on page 1. Returns reflect the reinvestment of dividends and other earnings and are shown before the deduction of investment management fees, unless indicated otherwise.

### LAST WEEK'S MARKET DATA TABLE (page 1):

Most recently reported closing number, weekly change and year-to-date change both based on that number within the various indices below.

Dow Jones Ind. Avg. = Dow Jones Industrial Average

S&P 500 = Standard & Poor's 500 Index

MSCI ACWI = The MSCI ACWI (All Country World Index)

U.S. Dollar = U.S. dollar index (USDX)

Gold = Market price in US dollars for a troy ounce (31.1g) of 99.99% pure gold.

WTI Crude Oil = West Texas Intermediate crude oil is the measure of the value of a barrel of oil.

10-year Treasury = Debt obligation issued by the United States government with a maturity of 10 years upon initial issuance.

2-Year Treasury = Debt obligation issued by the United States government with a maturity of 2 years upon initial issuance.

Investment Grade & High Yield OAS = Option-Adjusted Spreads are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve.

### LAST WEEK'S ECONOMIC DATA TABLE & THIS WEEK'S ECONOMIC DATA TABLES (page 1):

Most recently reported economic statistics.

"Prior" refers to the prior survey's economic results.

"Survey" refers to the consensus results expectations of economists as surveyed by Bloomberg.

"Actual" refers to the actual results as delivered by the government bureau in charge of those statistics.

### ASSET CLASS RETURNS CHART (page 2):

Returns for various asset classes listed below on both a weekly and year-to-date basis.

#### FIXED INCOME

Cash: Bloomberg Barclays (BBC) 1-3 Month US Treasury Index

Inv. Grade: Bloomberg Barclays Aggregate Index

Muni.: Bloomberg Barclays Municipal Index

TIPS: Bloomberg Barclays TIPS Index

High Yield: Bloomberg Barclays High Yield 2% Capped Index

Emerg. Markets: JP Morgan GBI\_EM Global Diversified Index

#### EQUITIES

U.S.: MSCI U.S. Equities IMI

Dev. Ex-U.S.: MSCI World ex-U.S. IMI

Emerg. Markets: MSCI Emerging Market Equities Index

#### REAL ASSETS

NR: S&P Global Natural Resources Index

GRE: FTSE EPRA/NAREIT Global Index

GLI: S&P Global Infrastructure Index

### INTEREST RATES CHART (page 2):

Weekly change and most recently reported forward interest rates on three maturities of government debt obligations from the U.S., Eurozone, United Kingdom & Japan as reported by Bloomberg for last week. Unlike spot prices, the two sides of a forward price are not usually called "bid and offer", but "left-hand-side" (LHS) and "right-hand-side" (RHS).

### CURRENCY RETURNS CHART (page 2):

Percentage weekly and year-to-date returns in U.S. dollar terms based on the most recently reported forward currency rates from Bloomberg for 11 countries including both the U.S. Dollar Index and the Trade-Weighted Dollar Index.

### S&P 500 SECTOR RETURNS CHART (page 2):

Percentage change in returns of various asset classes listed below on both a weekly and year-to-date basis.

Comm Services: S&P 500 Communications Services Index

Tech: S&P 500 Information Technology Index

Health Care: S&P 500 Health Care Index

Cons. Staples: S&P 500 Consumer Staples Index

Cons. Discr.: S&P 500 Consumer Discretionary Index

Real Estate: S&P 500 Real Estate Index

Industrials: S&P 500 Industrials Index

Energy: S&P 500 Energy Index

Financials: S&P 500 Financial Index

Materials: S&P 500 Materials Index

Utilities: S&P 500 Utilities Index