

Market Week: October 8, 2018



The Markets (as of market close October 5, 2018)

Another tough week on Wall Street as stocks and long-term bond prices fell, pushing yields higher. While each of the benchmark indexes listed here lost value last week, the large caps of the Dow and S&P 500 held up better than the tech stocks of the Nasdaq and the small-cap Russell 2000. With the continuing rise in oil prices, energy stocks and utilities fared well as did financial shares, which benefitted from a spike in interest long-term rates. On the other hand, tech stocks fell, dropping the Nasdaq to its worst week since early spring. Economic news continues to be somewhat encouraging, making another Fed interest rate hike likely. Speaking of interest rates, they've been on the rise, pushing long-term bond prices lower and yields higher.

The price of crude oil (WTI) continued to surge, closing at \$74.29 per barrel by late Friday, up from the prior week's closing price of \$73.53 per barrel. The price of gold (COMEX) rose, closing at \$1,206.70 by early Friday evening, up from the prior week's price of \$1,195.20. The national average retail regular gasoline price was \$2.866 per gallon on October 1, 2018, \$0.022 higher than the prior week's price and \$0.301 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 10/5	Weekly Change	YTD Change
DJIA	24719.22	26458.31	26447.05	-0.04%	6.99%
Nasdaq	6903.39	8046.35	7788.45	-3.21%	12.82%
S&P 500	2673.61	2913.98	2885.57	-0.97%	7.93%
Russell 2000	1535.51	1696.57	1632.11	-3.80%	6.29%
Global Dow	3085.41	3121.54	3076.99	-1.43%	-0.27%
Fed. Funds target rate	1.25%-1.50%	2.00%-2.25%	2.00%-2.25%	0 bps	75 bps
10-year Treasuries	2.41%	3.06%	3.23%	17 bps	82 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic Headlines

- The September unemployment rate fell to its lowest rate since 1969, according to the latest report from the Bureau of Labor Statistics. The unemployment rate declined by 0.2 percentage point to 3.7% in September, and the number of unemployed persons decreased by 270,000 to 6.0 million. Over the year, the unemployment rate and the number of unemployed persons declined by 0.5 percentage point and 795,000, respectively. Job gains for the month were a bit tempered at 134,000, although August's figure was revised 69,000 higher to 270,000. Over the last 12 months, the average monthly gain sits at 201,000. Jobs were added in professional and business services (54,000), health care (26,000), transportation and warehousing (24,000), and construction (23,000). The average workweek remained unchanged at 34.5 hours in September. The average hourly earnings for all employees rose by \$0.08 to

Key Dates/Data Releases

10/10: Producer Price Index

10/11: Consumer Price Index, Treasury budget

10/12: Import and export prices

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\$27.24. Over the year, average hourly earnings have increased by \$0.73, or 2.8%.

- While the effects of trade tariffs may still be unknown, the trade deficit continues to expand. According to the Census Bureau, the goods and services deficit was \$53.2 billion in August, up \$3.2 billion from July. August exports were \$209.4 billion, \$1.7 billion less than July exports. August imports were \$262.7 billion, \$1.5 billion more than July imports. In what is sure to impact the third-quarter GDP, exports fell 0.8% in August after dropping 1.0% in July. While service exports actually rose 0.3%, exports of goods declined 1.4%.
- Reaching a four-month high, the IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 55.6 in September, up from 54.7 in August. Production across the goods-producing sector rose at an accelerated and sharp rate in September due to a sustained rise in new business and favorable demand conditions.
- In contrast to the Markit PMI™, the Institute for Supply Management® reported that its PMI® registered 59.8%, a decrease of 1.5 percentage points from the August reading. Driving the fall was a drop in new orders. Otherwise, production and employment increased in September.
- In the non-manufacturing (services) sector, the latest Non-Manufacturing ISM® Report On Business® for September revealed survey respondents were bullish in their assessment of business in the services. In fact, growth in the non-manufacturing sector is moving at a faster rate and is at an all-time high since the inception of the composite index in 2008. Business activity, new orders, employment, and prices all increased in September over their August totals.
- For the week ended September 29, the advance figure for seasonally adjusted initial claims for unemployment insurance was 207,000, a decrease of 8,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended September 22 was 1,650,000, a decrease of 13,000 from the prior week's level.

Eye on the Week Ahead

While consumer spending has risen, price inflation has been slow. Out this week are both the Producer Price Index and the Consumer Price Index for September, which are expected to show only marginal price increases.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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