# Market Week: April 9, 2018

## The Markets (as of market close April 6, 2018)

In likely reaction to the potential trade war with China, stocks fell last week, stripping away the previous week's gains. Last week, China responded to the Trump administration's proposal to increase tariffs on Chinese goods by announcing that it would impose 25% tariffs on several American imports, including soybeans and big-ticket items like automobiles and aircraft. In total, over 100 U.S. exports to China were included in the increased tariffs, affecting upwards of $50 billion of Chinese imports of U.S. products. Later last week, President Trump maintained that he is considering an additional $100 billion in tariffs on Chinese goods. It is worth noting that the tariffs from the global giants haven't taken effect yet.

Each of the benchmark indexes listed here suffered losses last week and, except for the Nasdaq, are in the red year-to-date. A trade war between the world's two largest economies could raise prices, boosting inflation — another potential ramification concerning investors.

The price of crude oil (WTI) dropped again last week, closing at $61.95 per barrel early Friday evening, down from the prior week's closing price of $64.91 per barrel. The price of gold (COMEX) rose to $1,337.30 by early Friday evening, climbing ahead of the prior week's price of $1,329.60. The national average retail regular gasoline price increased to $2.700 per gallon on April 2, 2018, $0.052 higher than the prior week's price and $0.340 more than a year ago.

| Market/Index | 2017 Close | Prior Week | As of 4/6 | Weekly Change | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 24719.22 | 24103.11 | 23932.76 | -0.71% | -3.18% |
| **Nasdaq** | 6903.39 | 7063.44 | 6915.11 | -2.10% | 0.17% |
| **S&P 500** | 2673.61 | 2640.87 | 2604.47 | -1.38% | -2.59% |
| **Russell 2000** | 1535.51 | 1529.43 | 1513.30 | -1.05% | -1.45% |
| **Global Dow** | 3085.41 | 3026.70 | 3002.47 | -0.80% | -2.69% |
| **Fed. Funds target rate** | 1.25%-1.50% | 1.50%-1.75% | 1.50%-1.75% | 0 bps | 25 bps |
| **10-year Treasuries** | 2.41% | 2.73% | 2.77% | 4 bps | 36 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 labor sector continued adding new jobs and average hourly earnings crept higher in March, according to the latest report from the Bureau of Labor Statistics. There were 103,000 new jobs added last month, with manufacturing, as well as health care and social assistance leading the way in new hires. The unemployment rate remained at 4.1%. The labor force participation rate, at 62.9%, changed little in March, and the employment-population ratio held at 60.4%. The average workweek was unchanged at 34.5 hours in March, but average wages rose by $0.08 to $26.82. Over the year, average hourly earnings have increased by $0.71, or 2.7%.

***Key Dates/Data Releases***

***4/10: Producer Price Index***

***4/11: Consumer Price Index, Treasury budget***

***4/12: Import and export prices***

***4/13: JOLTS***

- The IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 55.6 in March, up from 55.3 in February. The latest PMI™ reading indicated the strongest improvement in manufacturing business conditions since March 2015. According to the report, manufacturing output and new orders rose markedly, and job creation was strong. Inflationary pressures strengthened as costs for materials used in manufacturing increased, as did prices for manufactured products.
- According to the Institute for Supply Management® Manufacturing ISM® Report On Business®, manufacturing slowed in March. The March PMI® dropped 1.5 percentage points from February's reading. New orders fell 2.3 percentage points, while production and employment also lost ground for the month. Nevertheless, February's manufacturing growth was the highest in 14 years, so a slight drop-off was to be expected. Overall, the ISM® survey is still very positive in the manufacturing sector.
- Growth slowed in the non-manufacturing (services) sector, according to the Institute for Supply Management®. Business activity and new orders slowed, while employment and prices increased.
- The goods and services trade deficit continues to expand through February. According to the latest report from the Bureau of Economic Analysis, the goods and services deficit was $57.6 billion in February, up $0.9 billion, or 1.6%, from January. Both exports and imports increased by approximately 1.7% for the month. Year-to-date, the goods and services deficit increased $21.1 billion, or 22.7%, from the same period in 2017. Exports increased $22.4 billion, or 5.9%. Imports increased $43.6 billion, or 9.1%.
- In the week ended March 31, there were 242,000 initial claims for unemployment insurance, an increase of 24,000 from the previous week's level, which was revised up by 3,000. The advance insured unemployment rate remained at 1.3% for the week ended March 24. The advance number of those receiving unemployment insurance benefits during the week ended March 24 was 1,808,000, a decrease of 64,000 from the prior week's level, which was revised up by 1,000. This is the lowest level for insured unemployment since December 29, 1973, when it was 1,805,000.

## Eye on the Week Ahead

This week, inflationary measures for March are found in both the Consumer Price Index and the Producer Price Index. Also, import and export prices for March are available. This report may begin to reflect the impact, if any, of the tariffs and trade policies initiated by the present administration.

*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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