



Market Week: August 6, 2018



The Markets (as of market close August 3, 2018)

Tech and mid-cap stocks performed best last week following strong second-quarter corporate earnings reports. Led by the Nasdaq, each of the benchmark indexes listed here posted gains last week, except for the Global Dow. The S&P 500 enjoyed solid returns and is over 6.0% ahead of its 2017 year-end value. The Dow, which tracks 30 large-cap stocks, ticked up slightly. The small caps of the Russell 2000 bumped over 0.50% higher and are almost 9.0% above last year's close.

The price of crude oil (WTI) fell again last week, closing at \$68.68 per barrel, down from the prior week's closing price of \$69.00 per barrel. The price of gold (COMEX) lost value last week, closing at \$1,221.90 by early Friday evening, off from the prior week's price of \$1,232.60. The national average retail regular gasoline price climbed to \$2.846 per gallon on July 30, 2018, \$0.015 higher than the prior week's price and \$0.494 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 8/3	Weekly Change	YTD Change
DJIA	24719.22	25451.06	25462.58	0.05%	3.01%
Nasdaq	6903.39	7737.42	7812.01	0.96%	13.16%
S&P 500	2673.61	2818.82	2840.35	0.76%	6.24%
Russell 2000	1535.51	1663.34	1673.37	0.60%	8.98%
Global Dow	3085.41	3085.75	3074.54	-0.36%	-0.35%
Fed. Funds target rate	1.25%-1.50%	1.75%-2.00%	1.75%-2.00%	0 bps	50 bps
10-year Treasuries	2.41%	2.95%	2.94%	-1 bps	53 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 Federal Open Market Committee decided to maintain the federal funds rate at its current 1.75%-2.00% range. The Committee noted that the labor market has continued to strengthen, economic activity has been rising at a strong rate, and household spending and business fixed investment have grown. Inflation has remained near the Committee's target of 2.0%. However, the FOMC expects further gradual increases in the target range for the federal funds rate, presuming continued economic expansion and rising inflation.
- The labor market saw 157,000 new jobs added in July, while the unemployment rate edged down 0.1 percentage point to 3.9%. The number of unemployed persons declined by 284,000 to 6.3 million in July. In July, job gains occurred in professional and business services, in manufacturing, and health care and social assistance. The average workweek decreased by 0.1 hour to 34.5 hours in July, following an increase of 0.1 hour in June. Average hourly earnings for all employees rose by \$0.07 to \$27.05. Over the year, average hourly earnings have increased by \$0.71, or 2.7%.

Key Dates/Data Releases

8/7: JOLTS

8/9: Producer Price Index

8/10: Consumer Price Index,
Treasury budget

- Consumer income surged in June, according to the latest report from the Bureau of Economic Analysis. Personal income (pre-tax) and disposable (after-tax) income increased by 0.4%, respectively. Consumer spending, as measured by personal consumption expenditures, also grew by 0.4%. On the other hand, prices for consumer goods and services edged up by only 0.1%. Core prices (excluding food and energy) also advanced a scant 0.1%. Over the last 12 months, prices have increased 2.2% (1.9% increase for core prices). Personal savings, as a percentage of disposable personal income, increased 2.6% for the month and 6.8% over the last 12 months.
- The goods and services international trade deficit was \$46.3 billion in June, up \$3.2 billion from \$43.2 billion in May. Exports fell 0.7%, while imports increased 0.6% in June. Year-to-date, the goods and services deficit increased \$19.6 billion, or 7.2%, from the same period in 2017. Possibly reflecting the impact of the ongoing tariffs and trade wars, the trade deficit between the United States and China increased to \$32.5 billion in June, and has expanded by 8.6% year-to-date.
- According to IHS Markit®, the purchasing managers' index fell to a five-month low in July. While respondents were generally positive in their evaluation of the manufacturing sector, new orders exceeded output. Orders were largely driven by domestic demand, as exports were generally flat.
- The Institute for Supply Management® Report On Business® also had a drop in the July purchasing managers index. New orders, production, and prices each fell compared to June, while employment and inventories gained ground.
- The sales and services (non-manufacturing) sector saw business activity scale back in July. New orders also slowed during the month. On the other hand, employment and prices increased by margins over their June totals.
- In the week ended July 28, there were 218,000 initial claims for unemployment insurance, an increase of 1,000 from the previous week's level. The advance rate for insured unemployment claims remained at 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended July 21 was 1,724,000, a decrease of 23,000 from the prior week's level, which was revised up by 2,000.

Eye on the Week Ahead

With interest rates remaining unchanged for now, this week focuses on the latest information on consumer prices. The Producer Price Index, which measures the change in prices received by sellers of goods and services, has risen 3.4% over the last 12 months ended in June. July's Consumer Price Index, also out this week, is up 2.9% over the past year. Both indexes are expected to show moderate price increases in July.

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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