



Market Week: October 22, 2018



The Markets (as of market close October 19, 2018)

After a sweat-inducing ride on Wall Street last week, several earnings reports helped ease some of the pain in domestic large caps by Friday's close. The Dow managed to see a 0.41% rise for the week, while the S&P 500 was relatively unchanged. The Nasdaq, Russell 2000, and Global Dow all saw losses of less than 1%. Observers attributed ongoing volatility to concerns about interest rates and the global economy.

The price of crude oil (WTI) fell once again last week, closing at \$69.37 per barrel by late Friday, down from the prior week's closing price of \$71.49 per barrel. The price of gold (COMEX) rose for the third week in a row, reaching \$1,230.00 by Friday evening, up from the prior week's price of \$1,221.10. The national average retail regular gasoline price was \$2.879 per gallon on October 15, 2018, \$0.024 lower than the prior week's price but \$0.390 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 10/19	Weekly Change	YTD Change
DJIA	24719.22	25339.99	25444.34	0.41%	2.93%
Nasdaq	6903.39	7496.89	7449.03	-0.64%	7.90%
S&P 500	2673.61	2767.13	2767.78	0.02%	3.52%
Russell 2000	1535.51	1546.68	1542.04	-0.30%	0.43%
Global Dow	3085.41	2966.51	2965.49	-0.03%	-3.89%
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%	3.16%	3.20%	4 bps	79 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

- Total retail sales inched up 0.1% in September, the same increase as in August. Retail sales are 4.7% ahead of their September 2017 rate. Some retailers enjoyed a strong September, including motor vehicle and parts dealers (0.8%), furniture and home furnishings stores (1.1%), nonstore (online) retailers (1.1%), and electronics and appliance stores (0.9%). Retailers that saw a drop in sales include food services and bars (-1.8%), department stores (-0.8%), and health and personal care stores (-0.3%).
- The federal budget posted a surplus of \$119.1 billion in September — the last month of the fiscal year. For fiscal year 2018, the total deficit was \$779 billion, 17% higher than the prior fiscal year deficit of \$665.8 billion. For the year, government outlays totaled \$4.1 trillion, \$3.2 trillion above fiscal 2017. Compared to last year, Medicare spending increased 4.5%, defense spending was 5.3% higher, and net interest expense was 24% greater, reflecting the increased cost to fund the larger government deficit. On the other hand, government receipts for the fiscal year increased by 0.4%, as a 6.1% increase in individual tax receipts was partially offset by a 31% drop in corporate tax receipts.
- September proved to be another weak month for new home construction. Impacted by Hurricane

Key Dates/Data Releases

10/24: New home sales

10/25: Durable goods orders, international trade in goods

10/26: GDP

Florence, building permits (-0.6%), housing starts (-5.3%), and housing completions (-4.1%) each failed to reach their August levels.

- According to the Federal Reserve, industrial production increased 0.3% in September, about the same rate of change as in the previous two months. In September, manufacturing increased 0.2% and mining advanced 0.5%. The output of utilities was unchanged from August.
- According to the Job Openings and Labor Turnover Summary, the number of job openings reached a series high of 7.1 million on the last business day of August. The job openings rate was 4.6%. The number of hires in August soared to 5.8 million. The hires rate was 3.9%. Over the 12 months ended in August, hires totaled 67.0 million and separations totaled 64.7 million, yielding a net employment gain of 2.4 million.
- Existing home sales declined in nearly every region of the country last month, according to the National Association of Realtors®. The Midwest, which reported no change from August to September, was the only region to avoid a drop. Total sales fell 3.4% in September to a seasonally adjusted rate of 5.15 million, representing a 4.1% drop from a year prior and the lowest sales rate since November 2015. Lawrence Yun, NAR's chief economist, attributed the decline to higher mortgage interest rates and a low level of listings in the "affordable" range.
- For the week ended October 13, the advance figure for seasonally adjusted initial claims for unemployment insurance was 210,000, a decrease of 5,000 from the previous week's level. 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 October 6 was 1,640,000, a decrease of 13,000 from the prior week's level, which was revised down by 7,000.

Eye on the Week Ahead

The first estimate of the gross domestic product for the third quarter is out this week. Increasing imports, which are a subtraction in the calculation of the GDP, may pull the economic growth rate back from the second quarter's 4.2%.

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.

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