



Market Week: February 19, 2019



The Markets (as of market close February 15, 2019)

Stocks extended their streak last week, as each of the benchmark indexes listed here posted gains of at least 2.0%. Positive developments in the trade talks between the United States and China, coupled with avoidance of another government shutdown, gave investors the confidence to continue trading. Robust market gains came despite weak retail sales numbers for January. Oil prices climbed over \$55 per barrel for the first time in many weeks as OPEC and Russia agreed to cut production. Small caps led the way last week as the Russell 2000 gained over 4.0%. The Dow registered its eighth consecutive week of gains and is now almost 11.0% ahead of its December closing value.

Oil prices rose last week, closing at \$55.80 per barrel by late Friday, up from the prior week's closing price of \$52.71 per barrel. The price of gold (COMEX) rebounded last week, jumping to \$1,324.60 by last Friday evening, up from the prior week's price of \$1,317.90. The national average retail regular gasoline price was \$2.276 per gallon on February 11, 2019, \$0.022 higher than the prior week's price but \$0.331 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 2/15	Weekly Change	YTD Change
DJIA	23327.46	25106.33	25883.25	3.09%	10.96%
Nasdaq	6635.28	7298.20	7472.41	2.39%	12.62%
S&P 500	2506.85	2707.88	2775.60	2.50%	10.72%
Russell 2000	1348.56	1506.39	1569.25	4.17%	16.36%
Global Dow	2736.74	2920.60	2981.11	2.07%	8.93%
Fed. Funds target rate	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
10-year Treasuries	2.68%	2.63%	2.66%	3 bps	-2 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

Note: Due to the government shutdown, some affected federal agencies are providing reports for December, while others have information available for January. These monthly reporting differences are noted below.

- For the third consecutive month consumer prices, as measured by the Consumer Price Index, remained unchanged in January. Prices less food and energy inched up 0.2%. Energy prices fell 3.1% in January, after falling 2.6% in December. For the 12 months ended in January, the CPI is up 1.6%, while the CPI less food and energy is ahead 2.2%. A 10.1% drop in gas prices over the last 12 months has pulled consumer prices lower.
- December was not a good month at the retail level, as sales suffered their largest drop in nine years. Evidencing signs that economic growth slowed during the last quarter of 2018, total sales fell 1.2% in

Key Dates/Data Releases
2/21: Existing home sales, durable goods orders

December, following a downwardly-revised 0.1% increase in November. The good news is that total sales for 2018 were up 5.0%. Nevertheless, some retail sectors were hit hard in December, including furniture and home furnishings stores (-1.3%); sporting goods, hobby, musical instrument, and book stores (-4.9%); health and personal care stores (-2.0%); and gasoline stations (-5.1%). Also of note, for the first time in several months, nonstore (online) retailers saw sales fall, declining 3.9% in December.

- Prices received by domestic producers of goods and services, as measured by the Producer Price Index, fell 0.1% in January after declining 0.1% (revised) in December. Goods plummeted 0.8% for the month, while services actually increased 0.3% in January. Overall, producer prices advanced 2.0% for the 12 months ended in January. The index less foods, energy, and trade services rose 0.2% in January following no change in December. For the 12 months ended in January, prices less foods, energy, and trade services moved up 2.5%.
- Inflationary indicators has been soft so far this year and import and export prices are no exception. In January, United States import prices fell 0.5% and export prices decreased 0.6% for the second consecutive month. Import prices have fallen 3.1% over the first three months of 2019, the largest drop over a 3-month period since February 2016. The January decrease in import prices was driven by a drop in natural gas prices. Import prices, excluding fuel, edged down 0.2% in January. Exports have recorded only one price increase since June. Decreases in both agricultural and nonagricultural prices contributed to the overall decline.
- According to the latest treasury budget statement, the government deficit was \$13.5 billion in December. For the first three months of the fiscal year, the deficit sits at \$318.9 billion — more than 40% higher than the \$225 billion deficit over the same period in fiscal year 2018. Individual income taxes accounted for \$373 billion of income in December, while corporation income taxes totaled \$53 billion. On the other side of the ledger, the largest expenditures last December were for Social Security (\$251 billion) and national defense (\$188 billion).
- Industrial production decreased 0.6% in January after rising 0.1% in December. In January, manufacturing production fell 0.9%, primarily as a result of a large drop in motor vehicle assemblies; factory output, excluding motor vehicles and parts, decreased 0.2%. The indexes for mining and utilities moved up 0.1% and 0.4%, respectively. Compared to last January, total industrial production is 3.8% higher in the first month of 2019.
- According to the Job Openings and Labor Turnover report, job openings continued to expand at a faster rate than hires. December saw job openings reach a high of 7.3 million and the job openings rate was 4.7%. Job opening increased in construction, accommodation and food services, and health care and social assistance. Job openings decreased in nondurable goods manufacturing, federal government, and real estate and rental and leasing. December hires increased to 5.907 million from November's 5.812 million. Hires increased in retail trade, educational services, and mining and logging. Hires fell in information and in federal government. Over the 12 months ended in December, hires totaled 68.5 million and separations totaled 65.9 million, yielding a net employment gain of 2.6 million.
- For the week ended February 9, there were 239,000 new claims for unemployment insurance, an increase of 4,000 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% for the week ended February 2. The advance number of those receiving unemployment insurance benefits during the week ended February 2 was 1,773,000, an increase of 37,000 from the prior week's level.

Eye on the Week Ahead

This week offers a couple of noteworthy economic reports. The National Association of Realtors® releases its figures on existing home sales in January. Sales took a big dive in December and look to rebound. Also, the December report on durable goods orders should be out this week. This report was delayed last month due to the government shutdown.

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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