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MARKET WEEK: SEPTEMBER 10, 2018

The Markets (as of market close September 7, 2018)

Apparently a strong labor report, which included increasing wages, wasn't enough to quell investors' fears as stocks plummeted last week. President Trump's threat to raise tariffs on an additional \$267 billion in Chinese imports heightened trade war rhetoric and frightened investors. Each of the benchmark indexes listed here felt the heat, particularly the tech-heavy Nasdaq, which sank over 2.50%. The small caps and energy stocks of the Russell 2000 were also hit hard, as was the Global Dow. The S&P 500 dropped over 1.0%. Only the Dow managed to weather the storm, falling a comparatively slight 0.19%. The favorable employment report may be seen as a sign of rising interest rates as demand for long-term bonds increased, sending prices lower and yields up (bond prices move in the opposite direction from bond yields).

The price of crude oil (WTI) dropped last week, closing at \$67.84 per barrel, down from the prior week's closing price of \$69.90 per barrel. The price of gold (COMEX) fell to \$1,201.80 by early Friday evening, down from the prior week's price of \$1,206.80. The national average retail regular gasoline price fell to \$2.824 per gallon on September 3, 2018, \$0.003 lower than the prior week's price but \$0.145 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 9/7	Weekly Change	YTD Change
DJIA	24719.22	25964.82	25916.54	-0.19%	4.84%
Nasdaq	6903.39	8109.54	7902.54	-2.55%	14.47%
S&P 500	2673.61	2901.52	2871.68	-1.03%	7.41%
Russell 2000	1535.51	1740.75	1713.18	-1.58%	11.57%
Global Dow	3085.41	3075.52	3029.59	-1.49%	-1.81%
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%	2.85%	2.94%	9 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

- According to the latest report from the Bureau of Labor Statistics, 201,000 new jobs were added in August while the unemployment rate remained at 3.9%. Job gains occurred in professional and business services, health care, wholesale trade, transportation and warehousing, and mining. The employment-population ratio (a ratio of the civilian labor force currently employed compared to the total working-age population) fell 0.2 percentage point to 60.3%. The average workweek for all employees was unchanged at 34.5 hours in August. Last month, average hourly earnings rose by \$0.10 to \$27.16. Over the year, average hourly earnings have increased by \$0.77, or 2.9%. Strong job gains and wage growth are likely to lead to a rate hike when the Federal Open Market Committee meets at the end of this month.
- Supply executives were generally upbeat in their assessment of the manufacturing

- sector in August, according to the Manufacturing ISM® Report On Business®. Not only did the purchasing managers index advance in August over July, but growth was noted in new orders, production, employment, supplier deliveries, and inventories. Only prices fell in August.
- A similar survey from IHS Markit showed growth in the manufacturing sector, but at a slower pace in August. The IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 54.7 in August, down from 55.3 in July. Growth in new orders slowed only slightly, while backlogs and employment rose.
 - Economic activity in the non-manufacturing (services) sector grew in August for the 103rd consecutive month, according to the latest Non-Manufacturing ISM® Report On Business®. Within the non-manufacturing sector, also advancing at a faster pace in August over July were business activity, new orders, and employment. Prices in August grew, but at a slower pace than in the previous month.
 - The Bureau of Economic Analysis reported that the goods and services trade deficit was \$50.1 billion in July, up \$4.3 billion from June's revised figures. This is the largest monthly increase since July 2015. July exports were \$211.1 billion, \$2.1 billion less than June exports. July imports were \$261.2 billion, \$2.2 billion more than June imports. Year-to-date, the goods and services deficit increased \$22.0 billion, or 7.0% higher than 2017. Exports increased \$115.7 billion, or 8.6%. Imports increased \$137.7 billion, or 8.3%. Of particular note, the deficit increased \$1.7 billion with the European Union (\$14.5 billion) and \$1.7 billion with China (\$34.1 billion).
 - In the week ended September 1, the advance figure for seasonally adjusted initial claims for unemployment insurance was 203,000, a decrease of 10,000 from the previous week. This is the lowest level for initial claims since December 6, 1969, when it was 202,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended August 25. The advance number of those receiving unemployment insurance benefits during the week ended August 25 was 1,707,000, a decrease of 3,000 from the prior week's level, which was revised up by 2,000.

Eye on the Week Ahead

Inflation indicators are available next week with the Producer Price Index, Consumer Price Index, and retail sales report. While trending slightly higher, inflationary pressures generally have been subdued.

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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.