

Market Week: December 23, 2019



The Markets (as of market close December 20, 2019)

Stocks continued to surge last week, reaching new record highs ahead of the Christmas holiday. The S&P 500 recorded its largest weekly percentage gain in several months. Both the Dow and Nasdaq also hit new historical highs as solid economic news bolstered by optimism over continued progress in the trade negotiations between the United States and China provided encouraging signs for investors. Long-term bond prices fell, pushing yields 10 basis points higher by the end of the week.

Oil prices rose again last week, closing at \$60.34 per barrel by late Friday afternoon, up from the prior week's price of \$59.82. The price of gold (COMEX) inched higher last week, closing at \$1,481.70 by late Friday afternoon, up from the prior week's price of \$1,480.20. The national average retail regular gasoline price was \$2.536 per gallon on December 16, 2019, \$0.025 less than the prior week's price but \$0.167 more than a year ago.

| Market/Index | 2018 Close | Prior Week | As of 12/20 | Weekly Change | YTD Change |
|-------------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 23327.46 | 28135.38 | 28455.09 | 1.14% | 21.98% |
| Nasdaq | 6635.28 | 8734.88 | 8924.96 | 2.18% | 34.51% |
| S&P 500 | 2506.85 | 3168.80 | 3221.22 | 1.65% | 28.50% |
| Russell 2000 | 1348.56 | 1637.98 | 1671.90 | 2.07% | 23.98% |
| Global Dow | 2736.74 | 3214.02 | 3248.06 | 1.06% | 18.68% |
| Fed. Funds target rate | 2.25%-2.50% | 1.50%-1.75% | 1.50%-1.75% | 0 bps | -75 bps |
| 10-year Treasuries | 2.68% | 1.81% | 1.91% | 10 bps | -77 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 News

- The final release of the third-quarter gross domestic product was much like the prior iteration. The economy advanced at an annual rate of 2.1%. The GDP grew at an annual rate of 2.0% in the second quarter and 3.1% in the first quarter. Gross domestic income (the net of income and costs incurred in the production of goods and services) also rose 2.1% compared with an increase of 0.9% in the second quarter. Consumer spending slowed from 4.6% in the second quarter to 3.2% in the third quarter. Exports of goods rose 1.0% in the third quarter (-5.9% in the second) while imports increased 1.8% after no change in the second quarter. Still lagging is nonresidential (business) fixed investment, which fell 2.3% after dropping 1.0% in the second quarter.
- Consumer income and spending ramped up in November ahead of the holiday season. Both personal income and disposable (after-tax) personal income increased 0.5% last month. Consumer spending advanced 0.4% in November after rising 0.3% in October. Inflationary pressures showed some upward movement in November as the personal consumption price index climbed 0.2%, the same increase as in

Key Dates/Data Releases

12/23: New home sales

12/24: Durable goods orders

October. Excluding food and energy, consumer prices inched ahead 0.1% in November.

- Construction of new homes continued its steady advance in November. According to the latest report from the Census Bureau, building permits increased 1.4% past October's rate, while single-family permits in November were 0.8% higher. There were more housing starts (3.2%) in November over October, and single-family construction was up 2.4%. Residential completions were down, however, falling 6.6% last month, while single-family home completions dropped 3.6%. From November 2018, building permits are up 11.1%, housing starts are 13.6% ahead, and completions have advanced 7.3%.
- Sales of existing homes fell 1.7% in November from October's total. That said, sales are still 2.7% ahead of last year's pace. The number of existing homes for sale slipped from a supply of 3.9% in October to 3.7% in November. The median sales price climbed slightly to \$271,300 (\$271,000 in October). The sales price is 5.4% ahead of last year (\$257,400). Sales of existing single-family homes dropped about 1.25% in November but are up 3.5% from a year ago. The median existing single-family home price is \$274,000.
- Industrial production and manufacturing production both rebounded 1.1% in November after declining in October. These sharp November increases were largely due to a resurgence in the output of motor vehicles and parts following the end of a strike at a major manufacturer. Excluding motor vehicles and parts, the indexes for total industrial production and for manufacturing moved up 0.5% and 0.3%, respectively. Mining production edged down 0.2%, while the output of utilities increased 2.9%. Despite the positive movement, total industrial production was 0.8% lower in November than it was a year earlier.
- According to the Job Openings and Labor Turnover report for October, the number of job openings rose by 235,000 (4.6%) with notable increases in retail trade (125,000), finance and insurance (56,000), and durable goods manufacturing (50,000). The largest decreases in job openings were in nondurable goods manufacturing (36,000), information (33,000), and arts, entertainment, and recreation (26,000). Over the 12 months ended in October, hires totaled 69.8 million and separations totaled 67.4 million, yielding a net employment gain of 2.4 million.
- For the week ended December 14, there were 234,000 claims for unemployment insurance, a decrease of 18,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended December 7. The advance number of those receiving unemployment insurance benefits during the week ended December 7 was 1,722,000, an increase of 51,000 from the prior week's level, which was revised up by 4,000.

Eye on the Week Ahead

The holiday week is traditionally a slow one in the market and for economic news, however two important reports are available this week. Information on new home sales for November is out. While sales were down in October, they are expected to rebound in November. Another important economic indicator is the durable goods report from the Census Bureau. October saw new orders for long-lasting goods rise following a September drop. However, new orders are not as robust in 2019 as they were the previous year.

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.

Securities may be offered through Kestra Investment Services, LLC, (Kestra IS), member FINRA/SIPC. Investment Advisory Services may be offered through Kestra Advisory Services, LLC, (Kestra AS) an affiliate of Kestra IS. Kestra IS and Kestra AS may or may not be affiliated with the firm branded on this material.