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WEEK IN REVIEW POSSIBLE EXTENSION FOR BREXIT TRANSITION

Review of the week ended October 19 2018

- **UK's May floats extending Brexit transition**
- **US posts second-worst annual deficit**
- **Trump: Fed biggest threat**
- **WEF: US most competitive economy**
- **Fed debates hiking rates to restrictive level**

U.S. stocks closed mostly lower on Friday with bulls failing to defend early gains as weak housing data overshadowed solid corporate earnings.

The market's choppy action coincides with the 31st anniversary of the 1987 crash.

The Dow Jones Industrial Average DJIA rose 64.89 points, or 0.3%, to 25,444.34. The S&P 500 index SPX edged down a point to 2,767.78, coming off intraday highs as the technology sector surrendered much of its gains. The Nasdaq Composite COMP fell 36.11 points, or 0.5%, to 7,449.03.

For the week, the blue-chip index gained 0.4% and the S&P 500 rose fractionally, successfully snapping a three-week retreat while the Nasdaq shed 0.6% to extend losses into a third week.

Brexit summit ineffective

So little progress was made at this week's summit between EU-27 leaders and the United Kingdom's prime minister that a meeting to advance the negotiations scheduled for November was adjourned until December. Also, British Prime Minister Theresa May suggested the idea of extending to the end of 2021 the transition period following the UK's formal exit from the European Union on March 29, 2019. This was met with howls of outrage from Brexit supporters in May's own Conservative Party, referring the lack of new ideas justifying the delay.

2018 US deficit increased to \$779 billion

The final figures are in after the close of the US fiscal year on September 30, and they are a

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deep shade of red, as the federal government spent \$779 billion more than it took in in spite of record-high tax revenues. Reacting to the second-highest deficit on record, US president Donald Trump ordered cabinet officials to trim their 2020 budgets by 5%.



Trump continues pressure on Fed

In a television interview this week, President Trump called the US Federal Reserve the biggest threat to his presidency because it is raising interest rates too fast in the face of presently-low inflation. Trump has blamed the recent increase in market volatility on the central bank, saying that while the Fed is independent and he is not blaming Fed chairman Jerome Powell, he is disappointed with his decisions.

US economy recoups "most competitive" label

For the first time in ten years, the US regained the top spot in the World Economic Forum's index of most competitive economies. Rounding out the top 5 countries in the rankings were Singapore, Germany, Switzerland and Japan. The WEF highlighted

the vivacious entrepreneurial culture, competitive labor market and agile financial system of the United States.



FOMC expects continued rate hikes

The minutes of last month's meeting of the Fed's Federal Open Market Committee (FOMC) show that policymakers intend to continue hiking rates progressively for the foreseeable future. The committee deliberated whether it will eventually need to raise rates to the point where monetary policy becomes obstructive.

US starts countdown on trade talks

The Office of the United States Trade Representative informed Congress this week that it will begin trade talks with the EU, the UK and Japan. Under Trade Promotion Authority, Congress grants the executive branch the ability to negotiate trade agreements without interference, though Congress must receive 90 days' notice before talks are started. The talks are aimed at dealing with both tariff and non-tariff obstacles and attaining fairer, more balanced trade, according to the USTR. Should the US secure updated trade agreements with these allies, it is expected that they will unite in resistance to China's trade practices.

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EARNINGS NEWS

With 16% of the voters of the S&P 500 Index having reported for the second quarter, blended earnings — analysts' assessments combined with reported earnings — are running at a 19.4% year-over-year pace while revenue growth is running at 7.2%. Those numbers are slightly behind the 25% EPS growth rate and 10% revenue growth of Q2.

MAJOR STOCK MOVES

Shares in PayPal Holdings Inc. PYPL surged 9.4% after the company boosted its outlook for the fourth quarter.

Shares of eBay Inc. EBAY tumbled 8.9% after analysts at Stifel Nicolaus downgraded the stock from buy to hold, citing PayPal's earnings release, which suggested that the online retail would post disappointing gross merchandise volume when it reports on Oct. 30.

Procter & Gamble Company PG shares jumped 8.8% to lead Dow gainers after reporting it's best quarterly sales numbers in five years Thursday.

Chemical giant DowDuPont Inc. DWDP fell 1.9% after it said late Thursday that it is taking a \$4.6 billion charge in the third quarter.

American International Group Inc. AIG shares slid 2.9% after the insurer said it expects to post between \$1.5 billion and \$1.7 billion in pretax catastrophe losses.

American Express Co. AXP rose 3.8% after the financial company delivered third-quarter earnings above estimates and lifted its full-year outlook.





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THE WEEK AHEAD

Date	Country/Area	Release/Event
Wed, Oct 24	Global	Flash purchasing managers' indices
Wed, Oct 24	Canada	Bank of Canada rate-setting meeting
Thu, Oct 25	Eurozone	European Central Bank press conference
Thu, Oct 25	United States	Durable goods orders
Fri, Oct 27	Japan	Consumer price index
Fri, Oct 27	United States	Gross domestic product



KEYS TO INVESTING FOR RETIREMENT

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