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Key Dates/Data Releases

3/5: ISM Non-Manufacturing Index

3/7: International trade, productivity and costs

3/9: Employment situation

MARKET WEEK: MARCH 5, 2018

The Markets (as of market close March 2, 2018)

Trade wars: That was the ominous phrase that spooked many investors toward week's end, as President Trump announced plans to implement a tariff of 25% on steel imports and 10% on aluminum imports. While no one can say for certain whether such tariffs will actually materialize, Trump's pronouncements were enough to send stocks tumbling on Thursday and Friday morning, only to recover somewhat by the market's close Friday afternoon. Unfortunately, the recovery wasn't enough to stave off weekly losses on all the indexes tracked here, led by the Dow, which closed the week down more than 3%. Year to date, only the Nasdaq and S&P 500 remain in positive territory.

Crude oil (WTI) lost ground last week, closing at \$61.45 per barrel early Friday evening, down from the prior week's closing price of \$63.57 per barrel. The price of gold (COMEX) fell to \$1,323.70 by early Friday evening, down from the prior week's price of \$1,330.70. The national average retail regular gasoline price decreased for the second week in a row to \$2.548 per gallon on February 26, 2018, \$0.009 lower than the prior week's price but \$0.234 higher than a year ago.

Market/Index	2017 Close	Prior Week	As of 3/2	Weekly Change	YTD Change
DJIA	24719.22	25309.99	24538.06	-3.05%	-0.73%
Nasdaq	6903.39	7337.39	7257.87	-1.08%	5.13%
S&P 500	2673.61	2747.30	2691.25	-2.04%	0.66%

Russell 2000	1535.51	1549.19	1533.17	-1.03%	-0.15%
Global Dow	3085.41	3152.06	3065.64	-2.74%	-0.64%
Fed. Funds target rate	1.25%-1.50%	1.25%-1.50%	1.25%-1.50%	0 bps	0 bps
10-year Treasuries	2.41%	2.86%	2.86%	0 bps	45 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

- The net value of goods and services produced in the United States, as measured by the gross domestic product, increased at an annual rate of 2.5% in the fourth quarter of 2017, according to the second estimate released by the Bureau of Economic Analysis. In the third quarter, the GDP increased by 3.2%. The price index for gross domestic purchases (a measure of price changes in goods and services) increased 2.5% in the fourth quarter, compared with an increase of 1.7% in the third quarter. The personal consumption expenditures price index (which measures the increase in prices paid for personal consumption) increased 2.7%, compared with an increase of 1.5%. Excluding food and energy prices, the PCE price index increased 1.9%, compared with an increase of 1.3%. Consumer spending increased 3.8% compared to the third quarter, as purchases of durable goods jumped 13.8%.
- Personal (pre-tax) earnings rose 0.4% in January, the same increase as December, according to the latest report from the Bureau of Economic Analysis. After-tax income surged ahead by 0.9%, which matches the largest such gain since December 2012, reflective of the tax-law changes taking effect in January. Despite increased income, consumers didn't spend significantly more, as personal consumption expenditures rose by only 0.2% over December's rate. Instead of spending, consumers apparently added their newfound income to savings, which jumped 3.2% in January.
- Manufacturing output expanded in February, but at a slightly slower pace than January, according to the IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™). The PMI™ registered 55.3 in February, down slightly from 55.5 in January. The advance in production was attributable to greater client demand. New business expanded at a faster pace, while input prices increased at the fastest pace since December 2012.
- The Institute for Supply Management's Report On Business® reported similar results as Markit's submission. The ISM® Purchasing Managers' Index registered 60.8% in February, an increase of 1.7 percentage points from the January reading. However, ISM®

respondents reported a slight decrease in new orders and production. Employment increased substantially, as did prices.

- New home sales fell 7.8% in January and 1.0% below their pace from a year ago. The median sales price of new homes sold in January was \$323,000. The average sales price was \$382,700. The seasonally adjusted estimate of new houses for sale at the end of January was 301,000. This represents a supply of 6.1 months at the current sales rate. While new home sales were soft in January, inventory increased 10.9% and the average sales price fell 3.1% — factors which should help spur sales in February.
- Orders for long-lasting products (durable goods) slipped in January, according to the latest report from the Census Bureau. New orders decreased \$9.2 billion, or 3.7%, for the month following two consecutive monthly increases. Unfilled orders, down following four consecutive monthly increases, decreased \$3.1 billion, or 0.3%, to \$1,140.9 billion. On the plus side of the report, both shipments (\$0.6 billion, or 0.2%) and inventories (\$1.3 billion, or 0.3%) increased in January over December.
- The advance report on international trade in goods saw the deficit increase by \$2.1 billion in January over December. Exports of goods for January were \$133.9 billion, \$3.1 billion less than December exports. Imports of goods for January were \$208.3 billion, \$0.9 billion less than December imports. Wholesale inventories increased 0.7%, while retail inventories advanced 0.8%.
- The Conference Board Consumer Confidence Index® increased in February, following a modest increase in January. Coming in at 130.8, this is the highest level since November 2000. According to the report, "despite the recent stock market volatility, consumers expressed greater optimism about short-term prospects for business and labor market conditions, as well as their financial prospects."
- In the week ended February 24, there were 210,000 initial claims for unemployment insurance, a decrease of 10,000 from the previous week's level, which was revised down by 2,000. This is the lowest level for initial claims since December 6, 1969, when it was 202,000. The advance insured unemployment rate inched up to 1.4% for the week ended February 17. The advance number of those receiving unemployment insurance benefits during the week ended February 17 was 1,931,000, an increase of 57,000 from the prior week's level, which was revised down by 1,000.

Eye on the Week Ahead

The important monthly employment report for February is out this week. Pay close attention to wage appreciation as another sign of building inflationary pressure. Also, the international trade report for January is out. It is expected to reveal an expanding goods and services trade deficit.

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.

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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.

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