



# INCISIVE INVESTOR

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## WEEK IN REVIEW US LABOR MARKET REMAIN SOLID

### Review of the week ended August 3, 2018

- **US July jobs data disappoint but upward revisions offset**
- **US threatens sharper China tariffs**
- **Fed rates unchanged but pave way for September hike**

U.S. stocks on Friday ended the week on a high note and the S&P 500 and Dow recorded a fifth weekly gain in a row, largely underpinned by solid earnings reports throughout the week, shaking off some weakness in July employment and trade-war anxieties.

The S&P 500 SPX rose 13.13 points to 2,840.35, with 10 of its 11 sectors closing higher. Consumer-staples shares lead advancing sectors, finishing up 1.2%. The benchmark index booked a 0.8% weekly gain, its fifth in a row.

The Nasdaq Composite Index COMP picked up 9.33 points, or 0.1% to 7,812.01, eking out further gains as Apple Inc.'s AAPL shares extended their record rise to the first U.S. publicly traded company with a \$1 trillion market value.

The tech-heavy index ended the week 1% higher, rebounding after two weeks of losses

in a row.

The Dow Jones Industrial Average DJIA advanced 136.42 points, or 0.5%, to 25,462.58, closing the week in positive territory, less than 0.1% higher.

### **US July jobs data trend remain strong**

Nonfarm payrolls rose 157,000 in July, below expectations of a 190,000 advance. However, upward amendments to the May and June data added a net 59,000 jobs to the total, more than offsetting July's shortfall. The unemployment rate dipped to 3.9% from 4.0% in June while average hourly earnings rose 0.3% month over month and 2.7% from a year ago. Over the last three months, payrolls expanded by an average of 224,000 positions per month.

### **US considers raising tariff rates; China considering retaliation**

The White House announced this week that

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it is thinking about raising the tariff rate on \$200 billion in proposed levies on Chinese exports to 25% from the previously anticipated 10% rate. China fired back on Friday, saying it will levy tariffs on \$60 billion of US products if the United States moves ahead with its plan. Duties will range from 5% on some products up to 25% on others. Today, China surprised currency traders by reimposing a 20% reserve obligation on FX forwards, causing a significant short-covering rally in the yuan. Prior to today's action, the yuan had fallen 7% against the dollar in two months. While the US is often at the center of recent trade conflicts, Italian prime minister Giuseppe Conti said during a visit to the US this week that Italy could derail a temporary trade deal between Canada and the European Union. At issue are Canadian exports of cheeses that compete with Italian varieties.

## **Fed advances economic view**

Every word in statements from the Federal Open Market Committee is separated and analyzed and debated to the "nth" degree, so the Fed characterizing the US economy as "strong" rather than "solid," as it was previously described, was seen as a clear sign by markets that the FOMC will continue to hike rates at its quarterly pace. Markets fully expect a hike at the committee's next meeting in September, and are on alert for another at the December meeting.



## **Americans saving more than formerly thought**

As part of last week's benchmark amendments to US gross domestic product data, earlier estimates of the US savings rate were update substantially higher. Americans saved at an average rate of 6.7%, the updated data show, compared with an earlier 4.2% estimate. The upward revision eased fears that consumers may need to limit future spending to restock what the prior data had shown as depleted coffers.

## **EARNINGS NEWS**

With 80% of the constituents of the S&P 500 Index having reported, the blended earnings growth rate stands at 24%. That's up from 20% at the beginning of earnings season. Revenue growth stands at 9.8%, up from 8.5% at the start of the reporting period. Those figures are running very close to the 24.8% EPS growth rate and the 8.5% revenue rate posted in the first quarter.

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## MAJOR STOCK MOVES

Dish Network Corp. DISH soared nearly 15% after the satellite pay-TV service reported better-than-expected second-quarter earnings and revenue.

Kraft Heinz Co. KHC climbed 8.6% after reporting second-quarter earnings that came in above expectations.

Shares of Groupon Inc. GRPN bounced back to

advance 2.5% after the company posted weaker-than-expected second-quarter results.

Shares of Noble Energy Inc. NBL slid 7.9% after missing earnings expectations.

Shake Shack Inc. shares SHAK slid about 12% Friday, as analysts weighed in on second-quarter earnings that included soft guidance for same-restaurant sales.





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## THE WEEK AHEAD

Date	Country/Area	Release/Event
Tue, Aug 7	Australia	Reserve Bank of Australia meeting
Wed, Aug 8	China	Trade balance
Thu, Aug 9	United States	Producer price index
Fri, Aug 10	Japan	Gross domestic product
Fri, Aug 10	United Kingdom	GDP, Industrial production
Fri, Aug 10	United States	Consumer price index
Fri, Aug 10	Canada	Unemployment



## STRATEGIES FOR MANAGING STUDENT LOAN DEBT

Here are five strategies for managing your student debt. [Click to learn more.](#)

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