

In this week's recap: China unveils new tariffs, the U.S. responds in kind, Jerome Powell speaks at Jackson Hole, leading economic indicators rise, and stocks fall.



Weekly Economic Update

August 26, 2019

THE WEEK ON WALL STREET

Traders assumed that the week's biggest news event would be Federal Reserve Chairman Jerome Powell's speech at the annual Jackson Hole banking conference. Instead, China seized the headlines by announcing new tariffs on U.S. goods.

Domestic stocks ended up lower for the week. The Nasdaq Composite fell 1.83%; the S&P 500, 1.44%; the Dow Jones Industrial Average, 0.99%. International stocks posted a weekly gain: the MSCI EAFE benchmark rose 0.96%.^{1,2}

BEIJING PLANS NEW TARIFFS

Friday morning, China's finance ministry stated it would levy import taxes of 5-10% on an additional \$75 billion of American imports. One set of tariffs is slated to start September 1, targeting U.S. crops, meats, and seafood. A second set, effective December 15, will put tariffs on U.S.-made cars and car parts. In total, these taxes are scheduled for more than 5,000 American products.

Friday evening, the White House announced two rounds of 5% increases on existing U.S. tariffs on Chinese goods, to be successively implemented on September 1 and October 1.^{3,4}

POWELL REFLECTS AT JACKSON HOLE

Friday, Jerome Powell delivered an address on monetary policy at the Kansas City Fed's annual Jackson Hole symposium. He noted that the global economy currently presented a "complex, turbulent picture," and added that the Fed was "carefully watching developments" and would "act as appropriate."

Investors wonder if, at its September meeting, the central bank will consider another rate cut. Comments from other Fed officials at Jackson Hole did not indicate a consensus on that matter.⁵

LEADING INDICATORS RISE

The Conference Board, the business research group known for its monthly Consumer Confidence Index, also publishes a monthly Leading Economic Indicator (LEI) Index. The Conference Board's LEI provides a forward-looking analysis of the health of the business cycle, looking at ten factors ranging from consumer expectations to stock prices to construction activity.

In July, the LEI rose 0.5%, following 0.1% descents in May and June. This sudden increase offers optimism at a time when investors are wondering about the momentum of the economy.⁶

FINAL THOUGHT

Bond prices have risen around the world, leading to lower bond yields. In some instances, yields have turned negative. While the yield on the 10-year Treasury has also declined, it is still above 1.5%, notably exceeding the yields of similar-duration bonds in France, Germany, Spain, and the United Kingdom.⁷

TIP OF THE WEEK



Remember that you must itemize to claim a federal tax deduction for charitable contributions. It is to your advantage to itemize when your total individual deductions exceed the standard deduction amount for your federal tax filing status.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: The Conference Board's July Consumer Confidence Index.

Thursday: The Bureau of Economic Analysis presents the second estimate of second-quarter economic growth, and the National Association of Realtors publishes new data on pending home sales.

Friday: July consumer spending data from the Department of Commerce, and July's final University of Michigan Consumer Sentiment Index (a gauge of consumer confidence levels).

Source: Econoday / MarketWatch Calendar, August 23, 2019

The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision. The release of data may be delayed without notice for a variety of reasons.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: Autodesk (ADSK)

Thursday: Abercrombie & Fitch (ABF), Best Buy (BBS), Lululemon Athletica (LULU).

Source: Zacks, August 23, 2019

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



"Whether it's the best of times or the worst of times, it's the only time we've got."

ART BUCHWALD

Market Index	Close	Week	Y-T-D
DJIA	25,628.90	-0.99%	+9.87%
NASDAQ	7,751.77	-1.83%	+16.83%
MSCI-EAFE	1,829.29	+0.96%	+6.36%
S&P 500	2,847.11	-1.44%	+13.57%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.52%	-0.03%	-1.17%

Sources: The Wall Street Journal, August 23, 2019; Treasury.gov, August 23, 2019

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, August 16 to the Friday, August 23 close. Weekly performance for the MSCI-EAFE is measured from the Friday, August 16 open to the Thursday, August 22 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

THE WEEKLY RIDDLE



A crook steals \$100 from a cash register. The crook returns an hour later with the same \$100 and buys \$70 in items, receiving \$30 in change. How much does the merchant lose?

LAST WEEK'S RIDDLE: Without fingers, I point; without arms, I strike; without feet, I run. What am I?

ANSWER: A clock.

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