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Prepared for: Our Valuable Clients

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MARKET WEEK: MARCH 11, 2019

Key Dates/Data Releases

3/11: Retail sales

3/12: Consumer Price Index

3/13: Durable goods orders, Producer Price Index

3/14: Import and export prices, new home sales

3/15: Industrial production, JOLTS

The Markets (as of market close March 8, 2019)

The benchmark indexes listed here suffered their worst showing last week since December. Hardest hit was the Russell 2000, which fell over 4.0%. Unsettling global economic news had investors scrambling for cover from stocks. The prospects of a trade deal with China suddenly took a turn for the worse after several weeks of promising rhetoric. Adding to the turmoil was last Thursday's decision by the European Central Bank to offer additional stimulus to spur economic activity in the European Union. In addition, Chinese exports fell and U.S. job growth was marginal at best in February. All of these factors led to a fear that the economy may be slowing. While stock prices dropped, long-term bond prices rose, as did the price of gold.

Oil prices inched higher last week, closing at \$55.99 per barrel by late Friday, up from the prior week's closing price of \$55.74 per barrel. The price of gold (COMEX) climbed higher last week, closing at \$1,298.70 by last Friday evening, up from the prior week's price of \$1,294.20. The national average retail regular gasoline price was \$2.422 per gallon on March 4, 2019, \$0.032 higher than the prior week's price but \$0.138 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 3/8	Weekly Change	YTD Change
DJIA	23327.46	26026.32	25450.24	-2.21%	9.10%
Nasdaq	6635.28	7595.35	7408.14	-2.46%	11.65%

S&P 500	2506.85	2803.69	2743.07	-2.16%	9.42%
Russell 2000	1348.56	1589.64	1521.88	-4.26%	12.85%
Global Dow	2736.74	3006.41	2940.82	-2.18%	7.46%
Fed. Funds target rate	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
10-year Treasuries	2.68%	2.75%	2.63%	-12 bps	-5 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

Note: Due to the government shutdown, some affected federal agencies are providing reports for December, while others have information available for January. These monthly reporting differences are noted below.

- Total employment gained only 20,000 new hires in February, according to the latest report from the Bureau of Labor Statistics. There were 311,000 new hires in January. The unemployment rate fell 0.2 percentage point to 3.8% as the number of unemployed persons decreased by 300,000 to 6.2 million. Notable job gains occurred in health care (21,000) and wholesale trade (11,000), while construction lost 31,000 workers. The labor force participation rate held at 63.2% in February, the same as January. The employment-population ratio, at 60.7%, was unchanged over the month. The average workweek decreased by 0.1 hour to 34.4 hours in February. Average hourly earnings rose by \$0.11 to \$27.66, following a \$0.02 gain in January. Over the year, average hourly earnings have increased by 3.4%.
- For January, the government budget enjoyed an \$8.7 billion surplus. For the first four months of the fiscal year, the government is running at a \$310.3 billion deficit (\$175.7 billion over the same period last fiscal year). Government receipts totaled just shy of \$340 billion in January. Individual income taxes provided the bulk of receipts for the month. January expenditures were \$331 billion, led by Social Security payments (\$86 billion) and national defense outlays (\$52 billion). Also of note, for the current fiscal year to date, the government has received about \$570 billion in individual income taxes (\$603 billion in fiscal 2018) compared to \$60 billion in corporation income taxes (\$76 billion in fiscal year 2018).

- Housing starts gained some ground in January, jumping up 18.6% over December's paltry total. Home completions climbed 27.6% from December and building permits increased by 1.4% in January.
- This week's report from the Census Bureau on new residential sales covers December. Next week's report will be for January. In December, sales of new single-family homes increased by 3.7% over November's total. New home sales are still 2.4% below their December 2017 rate. The median sales price of new houses sold in December 2018 was \$318,600 (\$303,500 in November). The average sales price was \$377,000 (\$357,600 in November). Available inventory increased to a supply of 6.6 months — about the same as November.
- The international trade deficit for goods and services was \$59.8 billion in December, up \$9.5 billion from November. December exports were \$3.9 billion less than November exports, and imports in December were \$5.5 billion more than the prior month. For 2018, the goods and services deficit increased \$68.8 billion, or 12.5%, from 2017. Exports increased \$148.9 billion, or 6.3%. Imports increased \$217.7 billion, or 7.5%. Final figures for 2018 showed trade surpluses with some countries, including Hong Kong (\$31.1 billion), Netherlands (\$24.8 billion), Australia (\$15.2 billion), and Belgium (\$14.2 billion). Trade deficits were recorded with other trade partners, with the largest including China (\$419.2 billion), European Union (\$169.3 billion), Mexico (\$81.5 billion), Germany (\$68.3 billion), and Japan (\$67.6 billion).
- Economic activity in the non-manufacturing (services) sector expanded in February, according to the latest Non-Manufacturing ISM® Report On Business®. Business activity and new orders grew over January. However, survey respondents noted that employment and prices fell in February.
- For the week ended March 2, there were 223,000 new claims for unemployment insurance, a decrease of 3,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims dropped back to 1.2% for the week ended February 23. The advance number of those receiving unemployment insurance benefits during the week ended February 23 was 1,755,000, a decrease of 50,000 from the prior week's level.

Eye on the Week Ahead

Government reporting agencies are playing a bit of "catch-up" with economic data following the partial government shutdown. The Consumer Price Index is for February (current), while the retail sales report is for January (delayed). As such, it's a bit harder to compare current consumer spending with retail sales. Also available this week is the first of two reports

on new home sales. This week's report covers December, while next week's information will be for January.

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.

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