

In this week's recap: the pace of job creation slows, the factory & service sectors expand, OPEC signs off on an output cut, and Wall Street copes with turbulence.

Weekly Economic Update

Presented by Fulcrum Financial Group, December 10, 2018

HIRING PACE SLOWS

In November, U.S. employers added a net 155,000 hires to their payrolls. That compares with a (revised) gain of 237,000 recorded by the federal government for October. The Department of Labor's latest jobs report showed the main unemployment rate holding steady at just 3.7%, and the U-6 rate (unemployed and underemployed) rising 0.2% to 7.6%. Annualized wage growth was at 3.1%. Will this middling job growth make the Federal Reserve think twice about a year-end rate move? Perhaps not: Friday, the CME Group's Fed Watch tool put the chances of a 0.25% December rate hike at 76.6%.¹

SERVICE & FACTORY SECTORS CONTINUE TO HUM

Early each month, investors and economists alike look at the Institute for Supply Management's twin purchasing manager indices tracking expansion and contraction in manufacturing and service industries. The latest data is quite good. ISM's November service sector PMI improved to 60.7, up 0.4 points from October; its factory sector PMI also rose, ascending 1.6 points on the month to an impressive 59.3.²

OPEC ADDRESSES IMBALANCE OF OIL SUPPLY, OIL DEMAND

Members of the Organization of the Petroleum Exporting Countries (OPEC) and other key foreign producers agreed on Friday to cut production by a total of 1.2 million barrels per day for at least six months. That brought some relief to stateside oil investors, who watched WTI crude jump about 5% Friday; the commodity ended the week at \$52.34 on the NYMEX.^{3,4}

FOUR DAYS OF UPS AND DOWNS

Volatility reigned on Wall Street during an abbreviated market week. (U.S. financial markets were closed Wednesday in observance of the national day of mourning for President George H.W. Bush.) Institutional investors found plenty of motivation to sell, partly due to a dimming outlook for a truce in the U.S.-China trade war. During the worst week for shares in nine months, the Dow Industrials fell 4.50% to 24,388.95; the S&P 500, 4.60% to 2,633.08; the Nasdaq Composite, 4.93% to 6,969.25.^{5,6}

TIP OF THE WEEK



*Is your home a showcase for **fine art, collectibles, or antiques**? If your collection has significant value, it may not be adequately insured by a standard homeowner policy. You may want to consider **specialized property coverage**.*

THIS WEEK

Casey's General Stores announces quarterly results on Monday. | A new Producer Price Index arrives Tuesday, plus earnings from American Eagle Outfitters and DSW. | On Wednesday, investors will consider the November Consumer Price Index. | Thursday offers earnings from Adobe, Costco, and Fred's, along with the Department of Labor's latest initial claims numbers. | Federal government reports on November retail sales and industrial output appear Friday.

QUOTE OF THE WEEK



*“Make up your mind to **act decidedly** and take the consequences. No good is ever done in this world by hesitation.”*

THOMAS HENRY HUXLEY

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-1.34	0.73	10.45	17.30
NASDAQ	0.95	2.30	14.31	34.34
S&P 500	1.52	-0.15	9.17	18.94

REAL YIELD	12/7 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.96	0.50	0.77	2.47

Sources: ft.com, bigcharts.com, treasury.gov - 12/7/18^{7,8,9,10}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.
10-year TIPS real yield = projected return at maturity given expected inflation.

THE WEEKLY RIDDLE



*Take a word with **four letters**. Take away **one**, and what remains will be better – better than **zero**, anyway. What word is this?*

LAST WEEK'S RIDDLE: It can be open, closed, empty, or full. Sometimes you see one, sometimes two. It can be bare, but never a bear. What is it?

ANSWER: A hand.

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CITATIONS:

- 1 - tinyurl.com/y93zzeuv [12/7/18]
- 2 - instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm?SSO=1 [12/6/18]
- 3 - cnn.com/2018/12/07/investing/opec-oil-prices/index.html [12/7/18]
- 4 - money.cnn.com/data/commodities/ [12/7/18]
- 5 - markets.ft.com/data/world [12/7/18]
- 6 - bloomberg.com/news/articles/2018-12-06/asia-signals-mixed-start-for-stocks-yields-drop-markets-wrap [12/7/18]
- 7 - markets.wsj.com/us [12/7/18]
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