



WEALTH NEWS

Market Recap for the Week Ending 08/31/2018

By Bruce Konners, CPA, CFA, PFS

bruce@bluekeywp.com

MARKET RECAP

Stocks were up for the week but down on Friday on worries that Trump was planning to go forward with more tariffs on Chinese imports and on reports that the US and Canada were not able to reach a trade deal as hoped for.

For the week, US stocks were up 0.93% and international stocks fell by 0.11%. Bonds dropped by 0.30%. August was another good month for US stocks, +3.43%, while international stocks fell by 2.4%. Bonds were up 0.81% for the month. The NASDAQ had its best August performance in 18 years, +5.7%, powered by Apple (+20%), Amazon (+13%) and Netflix (+9%).

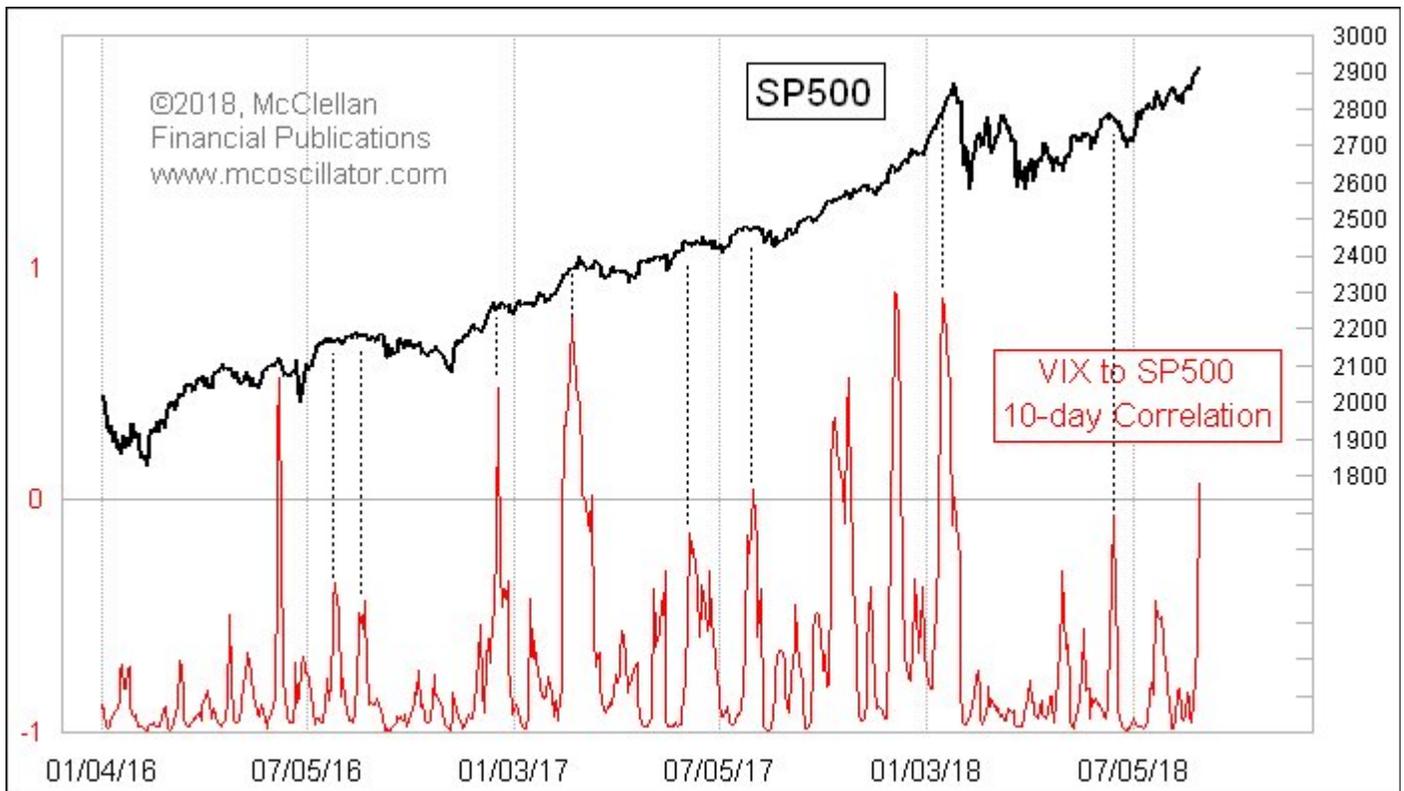
A strong economy coupled with strong profits has been the main driver behind this market. The GDPNow model from the Atlanta Fed is projecting Q3 growth at 4.1%, Macroeconomic Advisers is at 3.1% and the NY Fed's Nowcast is at 1.98%. Meanwhile, corporate profit projections continue to improve for 2018, 2019 and 2020. They are up by 0.67%, 1.29% and 0.69% from 13 weeks ago (one-quarter of the year). However, the rate of change has been falling in recent weeks.

US / MEXICO

The US and Mexico came to terms on an updated NAFTA agreement. The agreement would lessen dispute resolution measures and would require higher paying jobs in auto-factories. The focus then turned to wrap up a deal with Canada by Friday but that did not happen.

VIX and STOCK MARKET RISE

Something of interest, which might be nothing, is that the volatility index (VIX), often called the fear index, rose this week in tandem with stocks. Normally, there is a negative correlation. When stocks go up, the VIX normally goes down, and the opposite. But recently there has been a positive correlation. The last time that happened was right before the correction we had earlier this year. This correlation has sometimes occurred before previous sell-offs as well as shown below.



YIELD CURVE

New research based on the yield curve from the San Francisco Fed shows that the risk of a recession is rising but a downturn is far from certain. As the difference between short and long-term Treasury's narrows, there is growing likelihood that the curve will invert, meaning that short-term rates will yield more than long-term rates. While the two and ten-year Treasury's are most commonly discussed when determining yield curves, the San Francisco Fed says that the difference between the 10-year and the three-month bill is the more useful indicator. While the 2-10 spread is tight at 24 basis points, the difference between the three-month and ten-year is much wider, at 75 basis points.

SCOREBOARD

PERFORMANCE	VTI	SPY	VXUS	AGG	BUXX	CL1:COM
8/31/2018	US Market	SP500	Intl (x-US)	Bonds	US\$	Crude
Week	0.93%	0.97%	-0.11%	-0.30%	0.34%	1.57%
August 2018	3.43%	3.19%	-2.40%	0.81%	1.50%	1.51%
July 2018	3.32%	3.89%	2.55%	-0.03%	0.30%	-7.27%
June 2018	0.70%	0.58%	-2.14%	0.10%	1.15%	10.61%
May 2018	2.72%	2.43%	-1.64%	0.66%	1.67%	-2.23%
April 2018	0.45%	0.52%	0.46%	-0.94%	2.21%	5.59%
March 2018	-1.95%	-2.74%	-0.38%	0.67%	-0.52%	5.35%
February 2018	-3.76%	-3.64%	-5.24%	-1.01%	1.17%	-4.77%
January 2018	5.23%	5.64%	5.72%	-1.13%	-3.19%	7.13%
2018 Q3	6.86%	6.99%	0.09%	0.54%	1.79%	-5.87%
2018 Q2	3.91%	3.55%	-3.30%	-0.18%	5.11%	14.18%
2018 Q1	-0.70%	-1.00%	-0.21%	-1.47%	-2.59%	7.48%
2018 YTD	10.29%	9.75%	-3.43%	-1.14%	4.22%	15.52%
2017	21.21%	21.70%	27.45%	3.61%	-7.81%	12.47%
2016	12.83%	12.00%	4.81%	2.41%	2.41%	33.48%
2015	0.36%	1.25%	-4.19%	0.48%	7.19%	-29.70%
2014	12.54%	13.46%	-4.74%	6.00%		-43.92%
2013	33.45%	32.31%	14.61%	-1.98%		0.47%

All returns include dividends. CL1:Com is the WTI Crude Generic 1st Future/Bloomberg, BUXX is the WSJ Dollar Index.

RATES	2-YR	5-YR	10-YR	30-YR	2-10	HY OAS
8/31/2018	2.62%	2.74%	2.86%	3.02%	0.24%	3.44%
8/24/2018	2.63%	2.72%	2.82%	2.97%	0.19%	3.47%
7/31/2018	2.67%	2.82%	2.96%	3.08%	0.29%	3.46%
12/29/2017	1.89%	2.20%	2.40%	2.74%	0.51%	3.55%
12/29/2017	1.89%	2.20%	2.40%	2.74%	0.51%	3.55%
Δ for Week*	(1.00)	2.00	4.00	5.00	5.00	(3.00)
Δ for Month*	(5.00)	(8.00)	(10.00)	(6.00)	(5.00)	(2.00)
Δ for Quarter*	(5.00)	(8.00)	(10.00)	(6.00)	(5.00)	(2.00)
Δ YTD*	73.00	54.00	46.00	28.00	(27.00)	(11.00)

*Δ is measured in basis points; 2-10 refers to the spread between the 10 & 2-yr bonds.
HY OAS - Merrill Lynch US High Yield Option-Adjusted Spread.

Year	Earnings	SPX	P/E
2020 Estimate	194.53	2,901.52	14.92
2019 Estimate	178.80	2,901.52	16.23
2018 Estimate	162.17	2,901.52	17.89
2017	132.00	2,604.47	19.73
2016	118.10	2,238.83	18.96
2015	117.46	2,043.94	17.40
2014	118.78	2,058.90	17.33
2013	109.68	1,848.36	16.85
2012	103.80	1,426.19	13.74
2011	97.82	1,257.60	12.86
2010	85.28	1,257.64	14.75
2009	60.80	1,115.10	18.34
2008	65.47	903.25	13.80
2007	85.12	1,468.36	17.25
2006	88.18	1,418.30	16.08
2005	76.25	1,248.29	16.37
2004	67.10	1,211.92	18.06

The SPX (S&P 500) price is as of year-end for the period indicated except for the current year and next year which show the SPX price as of Friday. All earnings and estimates are per Thomson Reuters I/B/E/S as of the current month. Remember the p/e for this year and future years are based on forward ESTIMATES, whereas past years p/e were calculated based on trailing earnings. Also, forward estimates are usually revised downward over time.

ECONOMY	GDPNow	NowCast	MA**	BEA*
Q3 2018 Estimate	4.10%	1.98%	3.10%	
Q3 2018 Δ for Week	-0.30%	0.02%	0.20%	
Q3 2018 Δ for QTR	-0.30%	-0.48%	0.20%	
Q2 2018 Estimate	3.80%	2.78%	5.30%	4.20%
Q1 2018	2.30%	2.97%		2.20%
Q4 2017	3.40%	3.88%		2.90%
Q3 2017	2.50%	1.60%		3.20%
Q2 2017	2.80%	2.09%		3.10%
Q1 2017	0.20%	2.70%		1.40%
Q4 2016	2.90%	2.10%		2.10%
Q3 2016	2.10%	2.20%		3.50%
Q2 2016	1.80%	2.10%		1.40%
Q1 2016	0.60%	0.72%		0.80%

*Bureau of Economic Analysis **Macroeconomic Advisers

TREND	VTI	SPY	VXUS	AGG
1-Year	Up	Up	Down	Down
6 Months	Up	Up	Down	Down

Past performance does not guarantee future results.

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