

In this week's recap: equities are hit by considerable volatility, following developments in the bond market as well as the U.S.-China trade dispute.

Weekly Economic Update

Presented by Mary Ahearn, CFP®, August 19, 2019

THE WEEK ON WALL STREET

U.S. stock indices saw significant ups and downs last week, with traders looking for economic cues from Treasury yields and also developments in the tariff fight between the U.S. and China.

The S&P 500 lost 1.03% on the week; the Dow Jones Industrial Average and Nasdaq Composite respectively declined 1.53% and 0.79%. Overseas shares also retreated: the MSCI EAFE index lost 2.34%.^{1,2}

ATTENTION ON THE BOND MARKET

Wednesday, the yield of the 2-year Treasury bond briefly exceeded that of the 10-year Treasury bond. When this circumstance occurs, it signals that institutional investors are less confident about the near-term economy. That view is not uniform. Asked whether the U.S. was on the verge of an economic slowdown, former Federal Reserve Chair Janet Yellen told Fox Business “the answer is most likely no,” noting that the economy “has enough strength” to avoid one.

The demand for bonds has definitely pushed prices for 10-year and 30-year Treasuries higher, and their yields are now lower (bond yields usually fall as bond prices rise). The 30-year Treasury yield hit a historic low last week.^{3,4}

SOME CHINA TARIFFS POSTPONED

Last week, the Office of the U.S. Trade Representative announced that about half the Chinese imports slated to be taxed with 10% tariffs starting September 1 would be exempt from such taxes until December 15.

The White House said that the reprieve was made with the upcoming holiday shopping season in mind, so that tariffs might have less impact on both retailers and consumers.⁵

FINAL THOUGHT

Lower interest rates on bonds are now influencing mortgages. According to mortgage reseller Freddie Mac, the average interest rate on a conventional 30-year home loan was just 3.6% last week. That compares to 3.81% roughly a month ago (July 18).⁶

30-year and 15-year fixed rate mortgages are conventional home loans generally featuring a limit of \$484,350 (\$726,525 in high-cost areas) that meet the lending requirements of Fannie Mae and Freddie Mac, but they are not mortgages guaranteed or insured by any government agency. Private mortgage insurance, or PMI, is required for any conventional loan with less than a 20% down payment.

TIP OF THE WEEK



*If you do any **freelance work**, keep your freelance budget spending **separate** from your personal budget spending, for **clarity** at tax time and for a **clearer view** of your business expenses.*

THE WEEK AHEAD: KEY ECONOMIC DATA

Wednesday: The minutes of the July Federal Reserve meeting and the latest existing home sales data from the National Association of Realtors.

Friday: Federal Reserve Chairman Jerome Powell delivers a speech at the Fed's annual Jackson Hole economic conference on monetary policy, and July new home sales numbers arrive from the Census Bureau.

Source: Econoday / MarketWatch Calendar, August 16, 2019

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THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Baidu (BIDU), Estee Lauder (EL)

Tuesday: Home Depot (HD), Medtronic (MDT), TJX Companies (TJX)

Wednesday: Analog Devices (ADI), Lowe's (LOW), Target (TGT)

Thursday: Salesforce (CRM), Intuit (INTU)

Source: Zacks, August 16, 2019

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QUOTE OF THE WEEK



*“Human felicity is produced not so much by **great pieces** of good fortune that seldom happen, as by **little advantages** that occur **every day.**”*

BEN FRANKLIN

Market Index	Close	Week	Y-T-D
DJIA	25,886.01	-1.53%	+10.97%
NASDAQ	7,895.99	-0.79%	+19.00%
MSCI-EAFE	1,797.33	-2.34%	+4.50%
S&P 500	2,888.68	-1.03%	+15.23%



Treasury	Close	Week	Y-T-D
10-Year Note	1.55%	-0.19%	-1.14%

Sources: The Wall Street Journal, August 16, 2019; Treasury.gov, August 16, 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 9 to the Friday, August 16 close. Weekly performance for the MSCI-EAFE is measured from the Friday, August 9 open to the Thursday, August 15 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



*Without **fingers**, I point; without **arms**, I strike; without **feet**, I run. What am I?*

LAST WEEK'S RIDDLE: You write the word "one" on a piece of paper. An observer tells you she can make "one" disappear by adding something to it. Is this true, and how can she do it?

ANSWER: Yes. Simply by adding the letter G, "one" becomes "gone."

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