In this week's recap: an index of manufacturing activity hits a 10-year low, the jobless rate falls to a 50-year low, and the Nasdaq Composite outperforms the S&P 500 and Dow Jones Industrial Average.

Weekly Economic Update

Presented by Mary Ahearn, CFP®, October 7, 2019

THE WEEK ON WALL STREET

The fourth quarter started with a mixed week for equities. A slip for an index of U.S. manufacturing activity proved to be a market mover, more so than the latest jobs report.

The Dow Jones Industrial Average lost 0.92% for the week; the S&P 500, 0.33%. In contrast, the Nasdaq Composite improved 0.54%. Overseas stocks pulled back: the MSCI EAFE index dipped 2.60%.[1,2]

ATTENTION ON MANUFACTURING

The Institute for Supply Management's Manufacturing Purchasing Managers Index fell to 47.8 in September, its lowest level in ten years. Traders worried that the number reflected weakening business confidence. ISM's latest Non-Manufacturing PMI also declined, but the 52.6 reading indicated growth in the service sector last month.

ISM does state that when a PMI is above 43.2, the overall economy is typically still expanding, even if a specific sector is not. Another widely watched Factory PMI, maintained by IHS Markit, rose to a five-month peak of 51.1 in September; a number above 50 indicates factory output is increasing.[3,4]

LOWEST UNEMPLOYMENT RATE IN 50 YEARS

The Department of Labor said that employers added 136,000 net new workers in September. Unemployment was at 3.5%, a level last seen in December 1969. The U-6 jobless rate, which counts both the unemployed and underemployed, fell to a 19-year low of 6.9%.

Monthly job creation has averaged 161,000 so far in 2019, down from 223,000 in 2018. This may reflect the challenge companies face trying to fill job openings in an economy with so little unemployment. Annualized wage growth fell to 2.9% in September, the smallest yearly advance recorded since July 2018.[5]

WHAT'S NEXT

Trade representatives from the U.S. and China return to the negotiating table on Thursday; their meeting is scheduled to conclude on Friday. Any news stemming from their talks could quickly affect equity markets here and abroad.

TIP OF THE WEEK

If you are nearing retirement age, ask your employer if it allows ***phased retirements****. More companies are offering this option, which gives a worker the* ***flexibility*** *to shift from* ***full-time to part-time hours*** *on the way to retiring.*

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Federal Reserve Chairman Jerome Powell speaks at the annual meeting of the National Association for Business Economics in Denver.

Wednesday: The Federal Reserve publishes the minutes from its September meeting.

Thursday: The Bureau of Labor Statistics presents the August Consumer Price Index, showing monthly and yearly inflation data.

Friday: The University of Michigan offers its preliminary October Consumer Sentiment Index, a measure of consumer confidence levels.

Source: Econoday, Federal Reserve, October 4, 2019

The Econoday and Federal Reserve economic calendars list upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. 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 WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: Domino's (DPZ)

Thursday: Delta Air Lines (DAL)

Friday: Citigroup (C), Fastenal (FAST)

Source: Zacks.com, October 4, 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

*"When anger **rises**, think of the **consequences**."*

KONG QUI (CONFUCIUS)

Market Index	Close	Week	Y-T-D
DJIA	26,573.72	-0.92%	+13.92%
NASDAQ	7,982.47	+0.54%	+20.30%
MSCI-EAFE	1,846.42	-2.60%	+7.36%
S&P 500	2,952.01	-0.33%	+17.76%

	Treasury	Close	Week	Y-T-D
	10-Year Note	1.52%	-0.17%	-1.17%

Sources: The Wall Street Journal, October 4, 2019; Treasury.gov, October 4, 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, September 27 to the Friday, October 4 close. Weekly performance for the MSCI-EAFE is measured from the Friday, September 27 open to the Thursday, October 3 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

*Tamara donated **$1 million** to a charity. After she donated all that money, she was **a millionaire**. Can you explain this?*

LAST WEEK'S RIDDLE: Which is heavier, a pound of lead or a pound of silver?

ANSWER: Neither; they both weigh one pound.

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CITATIONS:

1 - wsj.com/market-data [10/4/19]
2 - quotes.wsj.com/index/XX/990300/historical-prices [10/4/19]
3 - tinyurl.com/y296rohg [10/2/19]
4 - investing.com/news/economic-indicators/newsbreak-ism-services-index-tumbles-to-3year-low-1991459 [10/3/19]
5 - tinyurl.com/y6s8emsr [10/4/19]

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