



WEALTH NEWS

Market Recap for the Week Ending 01/04/2019

By Bruce Konners, CPA, CFA, PFS

bruce@bluekeypwp.com

HIGHLIGHTS

- Another up and down week but stocks end in the black on a powerful labor report.
- Chinese PMI falls below 50.
- US PMI for manufacturing has a big drop to 54.1.
- A very strong payroll report in the US as nonfarm payrolls increased by 312,000.
- Economic growth in Q4 should be about 2.5%.

MARKET RECAP

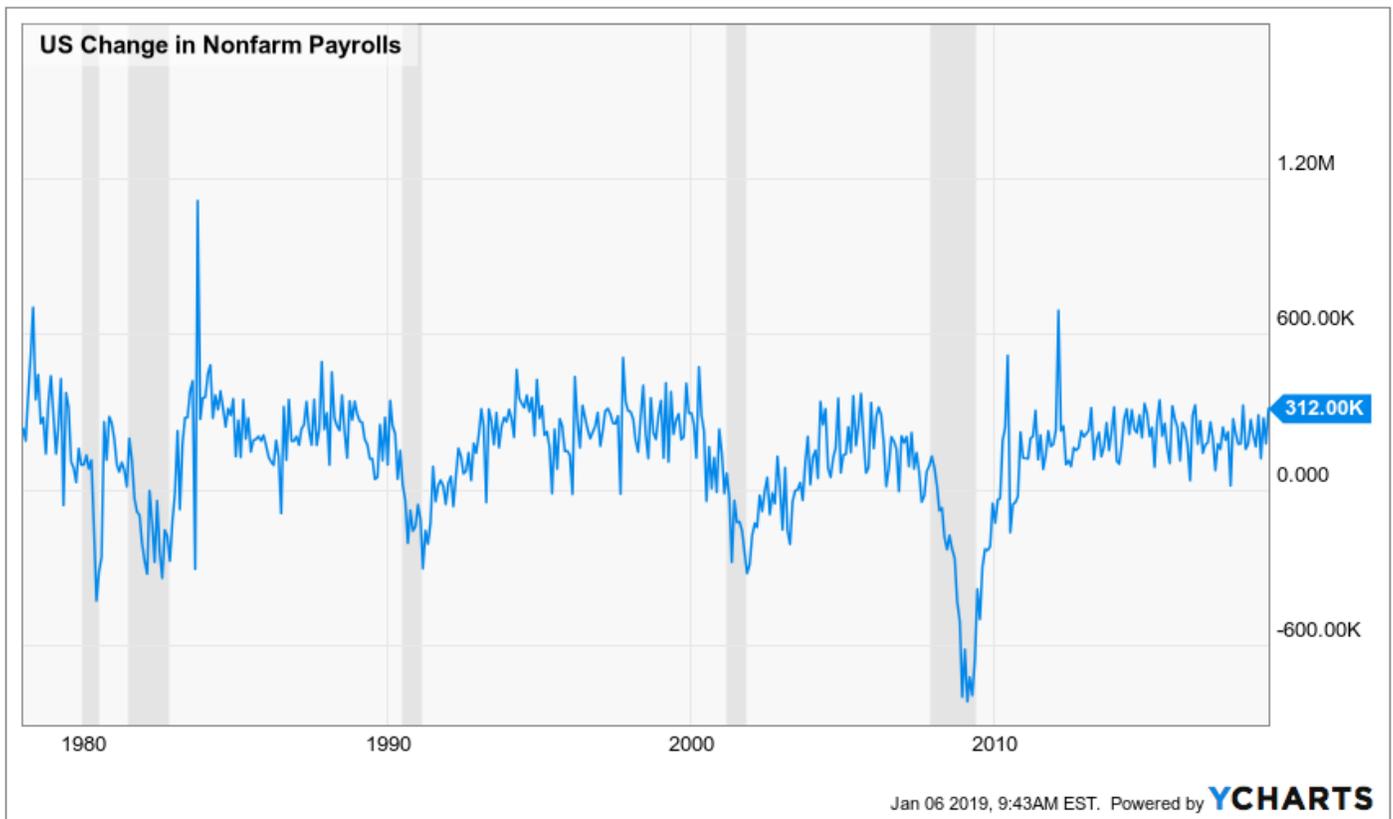
2018 closed out on Monday with a 1% advance on news that the US and China were talking trade. When markets reopened on Wednesday after the New Year, a dreadful Chinese PMI report had the market fall by 1.5% on the open. But the market staged a strong comeback and closed just above the Monday close fueled by an oil price rally. Having somehow managed to withstand the poor PMI report from China, stocks took another punch on Thursday when Apple preannounced that sales had fallen sharply in Q4, by about \$6 billion. That was followed by a US ISM Manufacturing report that showed the PMI at 54.1%, down from 59.3% in November, the market fell sharply by 2.31%.

The news going into the release of the Friday payroll reports was downright depressing, as it appeared the economy was beginning to accelerate much faster to the downside than anticipated. That is when economists were surprised with a much stronger than anticipated employment report. Investors loved the news as it put the threat of a recession on hold, at least for one day, and stocks rallied by 3.31%. For the week, US stocks were up by 1.95% and international markets were up by 2.14%

Looking back at the year 2018, the US was down by 5.21% and international markets fell by 14.43%.

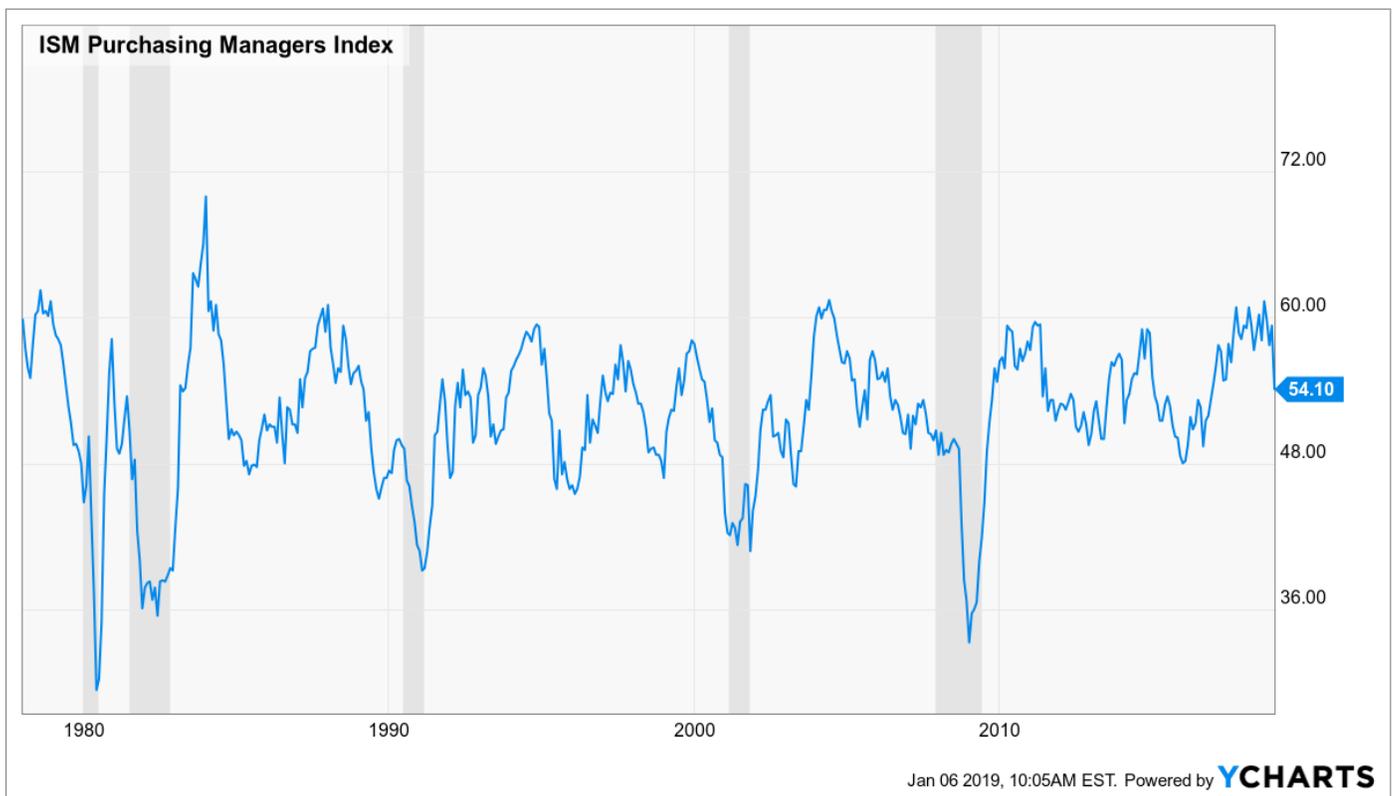
PAYROLL

Nonfarm payrolls jumped by 312,000 in December, blowing out the consensus number of 176,000. It was the biggest increase since February. Even better, the prior two months were revised up by 58,000. The average workweek increased by 0.1 hours to 34.5 hours and average hourly earnings were up by 3.2% year over year. The unemployment rate did go up to 3.9% from 3.7%, but that was because more people were attracted to enter the labor market.



Institute for Supply Management PMI

The PMI for the US for the manufacturing sector fell to 54.1% in December from 59.3% in November. That is a large drop and was well below the consensus of 58%. The report indicates that while manufacturing is still growing, the pace of the increase slowed in December. A reading above 50 is considered expansionary.



CHINA

The trading year got off to a bad start on Tuesday morning when the China Caixin manufacturing purchasing managers index fell to 49.7 in December. It was the first drop below 50 since May 2017. A reading below 50 is considered contractionary.

ECONOMY

Q4 growth is estimated to come in around 2.5% or so. The Atlanta Fed GDPNow model has growth at 2.7% and the NY Fed NowCast model is projecting 2.48%.

SCOREBOARD

PERFORMANCE	VTI	SPY	VXUS	AGG	BUXX	CL1:COM
1/4/2019	US Market	SP500	Intl (x-US)	Bonds	US\$	Crude
Week	1.95%	1.87%	2.14%	0.44%	-0.51%	5.80%
December 2018	-9.16%	-8.79%	-4.93%	1.98%	-1.08%	-5.83%
November 2018	2.01%	1.85%	1.68%	0.52%	-0.54%	-22.02%
October 2018	-7.41%	-6.91%	-8.56%	-0.64%	0.80%	-10.83%
September 2018	0.20%	0.59%	0.21%	-0.62%	0.10%	4.94%
August 2018	3.45%	3.19%	-2.21%	0.57%	1.50%	1.51%
July 2018	3.32%	3.70%	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 Q4	-14.20%	0.99%	-11.61%	1.85%	-0.23%	-34.53%
2018 Q3	7.07%	7.69%	0.31%	-0.08%	1.90%	-1.21%
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	-5.21%	-4.56%	-14.43%	0.10%	4.08%	-20.62%
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	3m	2-YR	10-YR	30-YR	2-10	HY OAS
1/4/2019	2.42%	2.50%	2.67%	2.98%	0.25%	5.44%
12/28/2018	2.52%	2.56%	2.63%	3.04%	0.11%	5.11%
12/31/2018	2.45%	2.48%	2.69%	3.02%	0.24%	5.33%
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12/31/2018	2.45%	2.48%	2.69%	3.02%	0.24%	5.33%
Δ for Week*	(10.00)	(6.00)	4.00	(6.00)	14.00	33.00
Δ for Month*	(3.00)	2.00	(2.00)	(4.00)	1.00	11.00
Δ for Quarter*	(3.00)	2.00	(2.00)	(4.00)	1.00	11.00
Δ YTD*	(3.00)	2.00	(2.00)	(4.00)	1.00	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	192.96	2,531.94	13.12
2019 Estimate	173.63	2,531.94	14.58
2018 Estimate	162.00	2,531.94	15.63
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

Past performance does not guarantee future results.

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