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Market Week: October 14, 2019



The Markets (as of market close October 11, 2019)

Last week, President Trump said the United States and China had reached a "substantial, phase-one" agreement to resolve the trade war between the economic giants. Essentially, the United States agreed to hold off on the imposition of additional tariffs on Chinese imports, while China agreed to ramp up the purchase of U.S. agricultural products. Buoyed by the prospects of a further trade accord, investors dove into the market, sending each of the indexes listed here higher by the close of trading last week. Both the Dow and Nasdaq rose by almost 1.0%, followed by the Russell 2000 and the S&P 500. However, the biggest mover was the Global Dow, which surged almost 2.0%. With money moving to stocks, gold and 10-year Treasuries saw their respective prices slip.

Oil prices climbed last week, closing at \$54.77 per barrel by late Friday afternoon, up from the prior week's price of \$53.01. The price of gold (COMEX) fell last week, closing at \$1,491.70 by late Friday afternoon, down from the prior week's price of \$1,510.30. The national average retail regular gasoline price was \$2.645 per gallon on October 7, 2019, \$0.003 more than the prior week's price but \$0.258 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 10/11	Weekly Change	YTD Change
DJIA	23327.46	26573.72	26816.59	0.91%	14.96%
Nasdaq	6635.28	7982.47	8057.04	0.93%	21.43%
S&P 500	2506.85	2952.01	2970.27	0.62%	18.49%
Russell 2000	1348.56	1500.70	1511.90	0.75%	12.11%
Global Dow	2736.74	2964.37	3021.17	1.92%	10.39%
Fed. Funds target rate	2.25%-2.50%	1.75%-2.00%	1.75%-2.00%	0 bps	-50 bps
10-year Treasuries	2.68%	1.51%	1.75%	24 bps	-93 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Inflationary pressures remained subdued in September. The Consumer Price Index was unchanged last month after rising 0.1% in August. Over the last 12 months, the CPI has increased 1.7%. Prices less food and energy rose 0.1% in September after increasing 0.3% in each of the last 3 months. A closer look at consumer prices last month shows that energy prices fell 1.4% as gasoline prices sank 2.4%. Prices for used cars and trucks dropped 1.6%, apparel prices decreased 0.4%, and medical care commodities prices tumbled 0.6%. Offsetting those declines were increases in prices for food (0.1%), shelter (0.3%), transportation services (0.3%), and medical care services (0.4%).
- Producers of goods and services at the wholesale level saw their prices drop by 0.3% in September following two consecutive monthly increases. Over the past 12 months, producer prices are up 1.4%. A

Key Dates/Data Releases

10/16: Retail sales

10/17: Industrial production, housing starts

closer look reveals that prices for services at the producer level dropped 0.2% in September after climbing 0.3% in August. Nearly half of the September decline in prices for services can be traced to machinery and vehicle wholesaling prices, which fell 2.7%. Producer prices for goods decreased 0.4% in September after a 0.5% drop in August. Three-fourths of the September decrease in goods prices can be traced to prices for gasoline, which fell 7.2%. This report, coupled with the CPI, supports expectations that the Federal Reserve will cut interest rates at least one more time this year.

- Higher fuel prices drove import prices 0.2% higher in September following a 0.2% drop in August. Over the past 12 months, import prices are down 1.6%. Exports fell 0.2% last month after decreasing 0.6% in August. Since September 2018, export prices have also fallen 1.6%.
- According to the Bureau of Labor Statistics Job Openings and Labor Turnover report (JOLTS), the number of job openings slipped by a little more than 100,000 from July. The number of hires also fell by about 200,000, as did the number of separations. In August, job openings rose in such industries as construction; trade; transportation and utilities; finance and insurance; and government. During the same period, job openings fell in education and health services; manufacturing; information; and leisure and hospitality. Over the 12 months ended in August, hires totaled 69.5 million and separations totaled 67.1 million, yielding a net employment gain of 2.4 million.
- For the week ended October 5, there were 210,000 claims for unemployment insurance, a decrease of 10,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims inched up from 1.1% to 1.2% for the week ended September 28. The advance number of those receiving unemployment insurance benefits during the week ended September 28 was 1,684,000, an increase of 29,000 from the prior week's level, which was revised up by 4,000.

Eye on the Week Ahead

A few economic reports worth reviewing are out this week. The retail sales report for September, which measures prices retailers of consumer goods and services receive, is another important indicator of inflationary pressures. August saw retail sales increase by 0.4%. Total sales for the June 2019 through August 2019 period were up 3.7% from the same period a year ago. Nonstore (online) retailers continue to see sales grow — up 1.6% for the month and 16.0% since August 2018. The report on new residential construction is also out this week. August showed strong growth in building permits and housing starts, which should add to needed inventory for new residential properties for the fall. Another report out this week is the Federal Reserve's statement on industrial production. August saw industrial production rise 0.6% after falling 0.1% in July. Manufacturing also increased 0.5% for the month — both encouraging signs for the manufacturing sector.

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