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Weekly Market Update, August 13, 2018
Presented by Bruce & Dawn Cramer

General Market News

- Rates opened lower across the curve on Monday, with yields for the 10-, 30-, and 2-year Treasuries at 2.84 percent, 3.02 percent, and 2.58 percent, respectively. The spread between short and long rates continued to be off its July 9 low, although it has come down considerably from its late July widening. Investors seem to be debating whether to bet on a strong U.S. economy or volatile global markets. The uncertainty surrounding policy continues to complicate the decision.
- The three major U.S. indices were mixed last week, as earnings season began to wind down and geopolitics again grabbed headlines. As of Friday, more than 91 percent of S&P 500 Index companies had reported earnings for the second quarter, leading to a blended estimated earnings growth rate of 24.6 percent, per FactSet. CVS Health Corp., Roku Inc., and Berkshire Hathaway all posted earnings that beat expectations.
- The week's principal headline wasn't earnings related. It came from Elon Musk, who tweeted that he was looking to take Tesla private at a price of $420 per share. Subsequently, trading of the stock was halted because the company hadn't yet published anything related to the news.
- Details remained unclear surrounding the private offer.
- On Friday, trade news also grabbed the headlines. Turkey's lira declined following a doubling by the U.S. of metal sanctions. The Turkish currency sold off more than 20 percent, leading to fears of contagion. Turkey has large amounts of debt dominated by the U.S. dollar and euro, which added to the pressure as the lira weakened.
- Last week was slow on the economic news front, with only two major updates. On Thursday, the Producer Price Index came in slightly below expectations, with year-over-year growth of 3.3 percent. A decline in energy prices contributed to this lower-than-expected reading.
- On Friday, the Consumer Price Index came in as expected, with year-over-year growth of 2.9 percent.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–0.18%	0.70%	7.21%	16.79%
Nasdaq Composite	0.40%	2.24%	14.29%	24.80%
DJIA	–0.44%	–0.24%	3.82%	17.47%
MSCI EAFE	–1.46%	–2.63%	–2.61%	4.05%
MSCI Emerging Markets	–0.99%	–2.22%	–6.55%	2.08%
Russell 2000	0.82%	0.99%	10.63%	22.29%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.52%	–1.08%	–0.69%
U.S. Treasury	0.61%	–0.89%	–1.30%
U.S. Mortgages	0.54%	–0.53%	–0.24%
Municipal Bond	0.05%	0.05%	0.57%

Source: Morningstar Direct

What to look forward to

With a wide range of data scheduled for release, this will be a busy week for economic news.

On Wednesday, retail sales are expected to show 0.1-percent growth for July, down from 0.5 percent in June, on a decline in gasoline prices and auto sales. There is some downside risk here. Auto sales at the manufacturer level have been quite weak, and that may have more of an effect on retail auto sales than anticipated. Core retail sales, which exclude autos, are expected to do much better. July's growth should remain steady at 0.4 percent, the same as for June. Although core spending remains healthy, the slowdown in auto sales will most likely take overall spending down after the strong second quarter.

Also on Wednesday, the industrial production report is expected to pull back a bit. It is expected to go from a 0.6-percent gain for June, on an increase in oil drilling, to a 0.4-percent gain for July. An even bigger pullback, from a 0.8-percent gain in June to a 0.3-percent gain in July, is anticipated in manufacturing. This number would likely reflect a return to normalized production, after a bounce in June following a fire in May that had disrupted auto industry supply chains. As with retail sales, although these figures would be somewhat weaker than the previous month, they would still signal continued economic growth.

We will also get a look at the housing sector on Wednesday, when the National Association of Home Builders (NAHB) survey is released, and on Thursday, when the housing starts report is published. The NAHB survey is expected to tick down slightly, for the second month in a row, from 68 in July to 67 in August, on a lack of labor. Housing starts are expected to bounce back partially, to 1.27 million (annualized) in July, after a significant drop in June to 1.17 million. The data for both measures is likely to remain constrained by rising supply and weakening demand. If the numbers come in as anticipated, they will leave open the possibility that housing is slowing, as suggested by previous data.

Finally, the University of Michigan's consumer sentiment survey, released on Friday, is expected to show confidence holding steady, at 97, from July to August. Historically, this is a high level. It suggests that consumers aren't yet worried about the effects of a trade war, given a decline in gas prices and the recent stock market surge.

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