



MISSOURI
1300 NW Briarcliff Pkwy, Ste. 120
Kansas City, MO 64150
913.948.6770
816.399.0787

Weekly Market Update, August 20, 2018 *Presented by Bruce & Dawn Cramer*

General Market News

- On Monday morning, the yield for the 10-year Treasury opened at 2.85 percent, closer to the bottom of the range in which it had been trading in recent days. The yields for the 30- and 2-year Treasuries were 3.01 percent and 2.6 percent, respectively. Most parts of the curve opened at or close to the flattest they've been in this cycle, with the spread between the 2- and 10-year notes at less than 24 basis points (bps). The difference between yields on the 2- and 30-year Treasuries was down to only 39 bps—just above its most recent low.
- The markets were mixed last week. In the U.S., the Dow Jones Industrial Average led the way with a 1.49-percent gain, backed by earnings strength from retailers Walmart (WMT) and Nordstrom (JWN). The Nasdaq lagged, as we saw a rotation toward value. Telecommunications, consumer staples, and REITs were among last week's top performers. Energy, materials, and consumer discretionary were among the top laggards. Meanwhile, in international markets, the MSCI Emerging Markets Index continued to be hurt by contagion fears surrounding Turkey's currency weakness.
- Several news items out of China affected last week's market performance. The first story announced that the U.S. and China had agreed to resume trade talks this week. The second story speculated that softer July activity was leading to some concerns about a slowdown in global growth momentum. The third story reported that China had frozen its approvals of game licenses. China's government continues to reorganize various departments, and its regulators have become more concerned about the content in some games.
- Last week was busy on the economic update front. On Wednesday, July's retail sales data came in better than expected, as consumers are still spending. On a month-over-month basis, sales grew 0.5 percent against expectations for 0.1-percent growth.
- On Thursday, building permits and housing starts were a mixed bag; starts declined while permits rose slightly. Given the current low level of new home supply, these measures will be an important barometer of the overall health of the housing market.
- Finally, on Friday, the University of Michigan consumer sentiment survey dropped to 95.3, against expectations that it would remain steady at 97.9. The result still represents a strong level of confidence. Consumers are continuing to spend, as reflected in the strong retail sales figure.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.66%	1.36%	7.92%	17.72%
Nasdaq Composite	-0.23%	2.00%	14.02%	24.52%
DJIA	1.49%	1.24%	5.36%	19.20%
MSCI EAFE	-1.09%	-3.69%	-3.67%	3.37%
MSCI Emerging Markets	-3.68%	-5.82%	-9.99%	-0.93%
Russell 2000	0.40%	1.40%	11.08%	23.93%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.50%	-1.10%	-0.78%
U.S. Treasury	0.57%	-0.93%	-1.35%
U.S. Mortgages	0.45%	-0.61%	-0.35%
Municipal Bond	0.19%	0.18%	0.71%

Source: Morningstar Direct

What to look forward to

This week will be relatively quiet on the economic news front, with only two major data releases.

On Wednesday, the minutes from the August 1 meeting of the Federal Open Market Committee will be released. At that meeting, the committee kept rates flat. The major section of the minutes to watch for will be the commentary surrounding inflation, as most inflation figures are now above the Federal Reserve's stated 2-percent target.

On Friday, July's durable goods orders are expected to show a slight decline due to transportation orders. The core figure, which excludes volatile transportation orders, is expected to show steady 0.5-percent growth. This proxy for business confidence has been growing steadily throughout the year, so a decline in the headline number would be nothing to worry about.

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Disclosures: Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million.

Bruce & Dawn Cramer are financial advisors located at Cramer Capital Management 1300 NW Briarcliff Parkway, Kansas City, MO 64150. They offer securities and advisory services as Investment Adviser Representatives of Commonwealth Financial Network[®], Member FINRA/SIPC, a Registered Investment Advisers. They can be reached at 913-948-6770 or at bruce@cramercapitalmanagement.com or dawn@cramercapitalmanagement.com

Authored by the Investment Research team at Commonwealth Financial Network.

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