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Weekly Market Update, September 24, 2018
***Presented by* Bruce & Dawn Cramer**

General Market News

- Rates continue to move higher, testing certain resistance levels. The 10-year Treasury yield opened at 3.07 percent on Monday; less than a month ago, it was at 2.80 percent. The 2-year now stands at 2.80 percent, while the 30-year is at 3.20 percent. The difference in rates between the short end and the long end moved slightly higher last week but, in general, continues a downward trend. The Federal Reserve (Fed) is likely to raise the federal funds rate on Wednesday, which could tighten the spread.
- U.S. equity markets were mixed last week. The Dow Jones Industrial Average and the S&P 500 both hit new all-time highs, while the tech-oriented Nasdaq Composite Index posted a small loss. Despite an escalation in U.S.-China trade tensions, markets seemed to shrug off the news.
- On Monday, President Trump announced plans to impose tariffs on an additional $200 billion in imported Chinese goods. The tariffs would go into effect this week and begin at 10 percent, before ramping up to 25 percent in 2019. China responded with an additional 5-percent to 10-percent tariff on $60 billion in U.S. imports. It remains uncertain whether the U.S. or China will move forward with these plans, but the market seemed to shrug off the news or take peace in the lower rates. In other news, a 0.7-percent decline in the U.S. dollar helped support emerging market stocks last week, easing the burden of their dollar-denominated debt.
- Last week, several housing-related economic updates were released. On Tuesday, the National Association of Home Builders Housing Market Index remained flat at 67. This result is down from highs earlier this year but still signals confidence among home builders.
- On Wednesday, housing starts increased, while building permits declined slightly. On Thursday, existing home sales came in unchanged for the month, against expectations for a slight increase.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.86%	1.08%	11.13%	19.44%
Nasdaq Composite	–0.28%	–1.45%	16.59%	25.67%
DJIA	2.25%	3.07%	10.01%	22.32%
MSCI EAFE	2.91%	1.78%	–0.14%	4.58%
MSCI Emerging Markets	2.28%	–0.25%	–7.16%	–2.53%
Russell 2000	–0.53%	–1.56%	12.48%	20.07%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.81%	–1.76%	–1.36%
U.S. Treasury	–1.06%	–1.79%	–1.93%
U.S. Mortgages	–0.80%	–1.25%	–1.03%
Municipal Bond	–0.82%	–0.57%	–0.11%

Source: Morningstar Direct

What to look forward to

This week is a busy one on the economic front. It gives us a solid look at the consumer's thoughts and actions, as well as business activity and housing data.

On Tuesday, the Conference Board releases its consumer confidence survey. It is expected to pull back slightly, from 133.4 to 131.5. This result would still leave the index at a multiyear high and would signal continued spending growth. If the number comes in as expected, it will be positive for the economy.

On Wednesday, the new home sales report is expected to tick up slightly—from 627,000 to 631,000—continuing a gradual recovery from an earlier slowdown. If the number comes in as expected, it will signal that while housing growth continues to slow, it remains at healthy levels overall.

Also on Wednesday, the Fed meeting concludes. Markets expect the Fed to raise interest rates by 25 basis points on continued growth and rising inflation. The announcement will be followed by a press conference, which markets will be watching closely for hints of how the Fed sees future rate increases playing out. This rate increase is expected, so it should have minimal impact.

On Thursday, the headline index of the durable goods orders report is expected to bounce significantly. It should go from a 1.7-percent decline in July to a 1.7-percent increase in August, on a rise in airplane orders. As these numbers suggest, the headline index is notoriously volatile. The core index, which excludes transportation and is a much better economic indicator, is expected to improve from 0.1-percent growth in July to 0.4-percent growth in August, on growing capacity constraints in many businesses. This again would be a healthy level of growth.

On Friday, the personal income and spending report is expected to show that personal income rose by 0.4 percent in August, up from 0.3 percent in July, on continued strong job growth and faster wage growth. There may be some upside risk here. Personal spending is expected to fall from 0.4 percent in July to 0.3 percent in August, as retail sales surveys showed modest growth and auto sales declined. Despite the decline, this would remain a healthy level of spending growth and would be well supported by income growth.

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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 U.S. 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 U.S. 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.*

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