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Weekly Market Update, February 22, 2018

Presented by **Dawn Cramer**

General market news

- The yield on the 10-year Treasury opened at 2.89 percent early Tuesday morning, in line with where it opened early last week. The 30-year, at 3.15 percent, is seeing more resistance than is the short end of the curve. This will likely make it harder for longer rates to break significantly higher in the near term.
- All three major U.S. indices were up more than 4 percent last week. The S&P 500 saw gains in all five trading sessions. Further, every sector was up for the period, with technology, financials, and industrials leading the way.
- Wednesday's Consumer Price Index data reaffirmed that inflation is moving higher in 2018. This data aligned with wage data from two weeks prior, which is what helped spur the sell-off. Despite confirmation of the inflationary trend, equity markets recouped some of their losses from the sell-off, as investors responded favorably to positive earnings news.
- Indeed, earnings guidance continued to be strong. With approximately 80 percent of S&P 500 companies reporting, the blended earnings growth rate for the fourth quarter is currently 15.2 percent, according to FactSet. This is the highest level since the third quarter of 2011. In addition, nearly all companies that have reported thus far have seen a positive surprise in sales.
- A number of key data points were released last week. As mentioned above, we saw Consumer Price Index data on Wednesday. The index increased by 2.1 percent on an annual basis, exceeding expectations for 1.9-percent growth. This was followed by the Producer Price Index on Thursday, which also came in higher than expected. Given the healthy economy and rising wages, the Federal Reserve (Fed) will be paying close attention to accelerating inflation.
- On Wednesday, retail sales for January came in lower than anticipated, declining 0.3 percent rather than growing the expected 0.2 percent. Core sales, which strip out volatile auto and gas sales, stayed flat during the month. While this was disappointing after strong growth in December, seasonality may have affected the data.
- Finally, on Friday, the University of Michigan consumer sentiment survey surprised to the upside. It rose to 99.9, beating expectations for a slight decline to 95.5. This is positive, given the recent stock market volatility, and shows that consumer confidence remains strong.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	4.37%	–3.09%	2.45%	18.71%
Nasdaq Composite	5.36%	–2.21%	5.03%	25.92%
DJIA	4.36%	–3.31%	2.37%	25.20%
MSCI EAFE	4.29%	–3.47%	1.38%	21.78%
MSCI Emerging Markets	5.03%	–4.31%	3.65%	30.13%
Russell 2000	4.48%	–1.92%	0.64%	11.78%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.98%	–2.12%	0.90%
U.S. Treasury	–0.83%	–2.17%	–0.28%
U.S. Mortgages	–0.73%	–1.89%	0.35%
Municipal Bond	–0.34%	–1.51%	3.11%

Source: Morningstar Direct

What to look forward to

The week ahead will be a slow one for economic data.

The only real news will be the release of the minutes from the last Federal Open Market Committee meeting. Markets will be looking for confirmation that the Fed expects to hike rates by another 25 basis points at the March meeting. The statement from the January meeting was relatively optimistic, so the minutes should provide some color as to how many participants shared that view.

Brad McMillan, Senior Vice President, Chief Investment Officer, at Commonwealth, provides our advisors and their clients with market insights and analysis to help inform their investment decisions.
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