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Market Week: August 19, 2019



The Markets (as of market close August 16, 2019)

Volatility is the best term to describe stocks last week. Despite a Friday surge, each of the benchmark indexes listed here fell for the third consecutive week. Wednesday proved to be the most tumultuous day, as stocks suffered a major pullback. Long-term bond yields plunged below that of the two-year note. This "inversion" has historical precedence as a warning of an impending recession. That, coupled with ramped-up trade war rhetoric between the United States and China, pushed stocks lower during the week. Year-to-date, the major indexes listed here continue to run ahead of their 2018 year-end closing values, but the margin is narrowing. Still, the tech-heavy Nasdaq is almost 20% ahead of last year's closing value, followed by the S&P 500, the Dow, the Russell 2000, and the Global Dow, which is still over 6.50% ahead of last year's closing pace.

Oil prices crept ahead last week, closing at \$54.94 per barrel by late Friday afternoon, up from the prior week's price of \$54.27. The price of gold (COMEX) advanced again last week, closing at \$1,523.60 by late Friday afternoon, up from the prior week's price of \$1,509.10. The national average retail regular gasoline price was \$2.624 per gallon on August 12, 2019, \$0.064 lower than the prior week's price and \$0.219 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 8/16	Weekly Change	YTD Change
DJIA	23327.46	26287.44	25886.01	-1.53%	10.97%
Nasdaq	6635.28	7959.14	7895.99	-0.79%	19.00%
S&P 500	2506.85	2918.65	2888.68	-1.03%	15.23%
Russell 2000	1348.56	1513.04	1493.64	-1.28%	10.76%
Global Dow	2736.74	2967.60	2916.65	-1.72%	6.57%
Fed. Funds target rate	2.25%-2.50%	2.00%-2.25%	2.00%-2.25%	0 bps	-25 bps
10-year Treasuries	2.68%	1.73%	1.53%	-20 bps	-1.15 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

- Consumer prices rose 0.3% in July after advancing 0.1% the prior month. Over the last 12 months ended in July, consumer prices have increased 1.8%. The index for all items less food and energy rose 2.2% over the last 12 months. In July, energy prices rose 1.3% with gasoline prices jumping 2.5%. Also gaining price momentum last month were apparel (+0.4%), shelter (+0.3%), transportation services (+0.3%), and medical care services (+0.5%). New vehicles fell (-0.2%), as did utility gas service (-1.8%). Overall, accelerating consumer prices may strengthen the argument against further interest rate cuts.
- The government deficit was \$119.7 billion in July — significantly greater than the July 2018 deficit of \$76.9 billion. Year-to-date, the deficit sits at \$866.8 billion, about 27% higher than the deficit over the



Key Dates/Data Releases

8/21: Existing home sales

8/23: New home sales

comparable period last year.

- Global inflation remained stagnant in July. Prices for U.S. imports and exports increased 0.2% in July following declines of 1.1% and 0.6%, respectively, in June. Despite July's price increase, import prices have declined 1.8% over the past 12 months ended in July. Driving the monthly import price increase was a 1.8% jump in fuel prices. Excluding fuel, import prices edged down 0.1% last month. Agricultural exports rebounded in July, advancing 0.4% after falling 2.5% the prior month. Over the past 12 months ended in July, export prices are down 0.9%.
- Retail sales increased 0.7% in July from the previous month and are 3.4% ahead of last July's pace. In July, retailers saw sales increase in electronics and appliance stores, food and beverage stores, gasoline stations, and food services and drinking places. Nonstore (online) retail sales jumped 2.8% last month, and are up 16.0% from July 2018.
- Industrial production declined 0.2% in July. Manufacturing output decreased 0.4% last month and has fallen more than 1.5% since December 2018. Manufacturing of business equipment fell 0.4% with machinery declining 1.1%. Mining output dropped 1.8%, largely because of an interruption in mining in the Gulf of Mexico due to Hurricane Barry. Utilities rose 3.1%. Total industrial production was 0.5% higher in July than it was a year earlier.
- Building permits and home completions rose in July, advancing 8.4% and 7.2%, respectively. Housing starts lagged in July, falling 4.0% below their June totals. The ramp-up in home completions may explain the drop in housing starts. However, with the increase in building permits, housing starts should rebound in August.
- For the week ended August 10, there were 220,000 claims for unemployment insurance, an increase of 9,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended August 3. The advance number of those receiving unemployment insurance benefits during the week ended August 3 was 1,726,000, an increase of 39,000 from the prior week's level, which was revised up by 3,000.

Eye on the Week Ahead

July's figures on new and existing home sales are out this week. Sales of new homes picked up significantly in June, while existing home sales fell.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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