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Market Week: March 25, 2019

The Markets (as of market close March 22, 2019)

Last week started well for investors as stock indexes continued to climb on the heels of the prior week's robust performance. However, reports of a weakening global economy prompted a sell-off last Friday, plunging each of the benchmark indexes listed here lower. With a pronouncement from the Federal Reserve that it is hesitant to raise interest rates for fear of slowing domestic economic growth further, investors sold stocks and sought long-term bonds, pushing yields lower (as bond prices rise, yields fall). Last Friday's manufacturing report for the eurozone showed industrial output sank, particularly in Germany, as its purchasing manager's index fell to its lowest rate in several years. Each of the indexes listed here posted losses, led by the small caps of the Russell 2000, which fell more than 3.0%. Year-to-date, the Nasdaq is comfortably in the black at over 15%, ahead of the S&P 500, Russell 2000, Global Dow, and the Dow.

Oil prices inched higher last week, closing at $58.97 per barrel by late Friday, up from the prior week's closing price of $58.38 per barrel. The price of gold (COMEX) rose again last week, closing at $1,313.40 by last Friday evening, up from the prior week's price of $1,302.20. The national average retail regular gasoline price was $2.548 per gallon on March 18, 2019, $0.077 higher than the prior week's price but $0.050 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 3/22	Weekly Change	YTD Change
DJIA	23327.46	25848.87	25502.32	-1.34%	9.32%
Nasdaq	6635.28	7688.53	7642.67	-0.60%	15.18%
S&P 500	2506.85	2822.48	2800.71	-0.77%	11.72%
Russell 2000	1348.56	1553.54	1505.92	-3.07%	11.67%
Global Dow	2736.74	3022.78	2995.76	-0.89%	9.46%
Fed. Funds target rate	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
10-year Treasuries	2.68%	2.58%	2.44%	-14 bps	-24 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 Headlines

- The Federal Open Market Committee maintained the federal funds rate at its current range of 2.25%-2.50%, following the Committee's meeting last week. According to the FOMC statement, the labor market remains strong, but growth of economic activity has slowed in the fourth quarter. In addition, recent indicators point to slower growth of household spending and business fixed investment in the first quarter of 2019. On a 12-month basis, overall inflation has declined, largely as a result of lower energy prices; inflation for items other than food and energy remains near the Committee's 2% objective. As to the timing of future interest rate increases, the Committee will be patient in light of global

Key Dates/Data Releases

3/26: Housing starts

3/27: International trade

3/28: GDP

3/29: Personal income and outlays, new home sales

economic and financial developments and muted inflation pressures. There are no rate hikes projected this year, unless circumstances change dramatically enough to warrant an increase.

- Finally good news from the housing sector as the National Association of Realtors® reported that existing home sales enjoyed their largest month-over-month gain since December 2015, when sales expanded by 11.8% in February. Sales of single-family existing homes rose by 13.3% for the month. The median existing-home price in February was $249,500, up 3.6% from February 2018 ($240,800). Sales cut into the inventory of available existing homes for sale, which fell from a 3.9-month supply in January to a supply of 3.5 months in February.
- The government deficit jumped to $234 billion in February. January saw a government budget surplus of $8.7 billion. Government receipts were significantly lower in February compared to January ($167.3 billion to $340 billion), while government outlays rose from $331 billion in January to $401 billion last month. Through the first five months of the fiscal year, the deficit sits at $544 billion — $153 billion higher than the comparable period last fiscal year.
- For the week ended March 16, there were 221,000 new claims for unemployment insurance, a decrease of 9,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended March 9. The advance number of those receiving unemployment insurance benefits during the week ended March 9 was 1,750,000, a decrease of 27,000 from the prior week's level, which was revised up 1,000.

Eye on the Week Ahead

The end of the month and first quarter of 2019 is upon us. The second estimate of the fourth-quarter gross domestic product isn't expected to change much from its initial estimate, which had the GDP increase by 2.6%. The housing sector is also front and center with the latest reports on housing starts and new home sales.

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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