Weekly Market Update

General Market News

- The 10-year Treasury yield was back to 3.05 percent late Friday and early Monday; 3.05 percent is a resistance level both on the way up and on the way down. Meanwhile, the 2-year opened at 2.82 percent and the 30-year at 3.23 percent. The 10-year was as high as 3.25 percent two weeks ago when bonds sold off. The volatility in the rates market is a result of global uncertainty and mixed economic numbers.
- U.S. equity markets were largely down last week, as earnings could not dispel investors' numerous fears, including peak margins, decelerating Chinese growth, and waning benefits from tax reform. Two of the larger companies to report earnings were Amazon (AMZN) and Alphabet (GOOG/GOOGL). Unfortunately, Amazon (the nation's largest online retailer) did not quell investor fears, as international sales growth and Prime subscribership slowed more than expected. The company also slightly lowered guidance for the holiday quarter. Google cited the strength of the U.S. dollar as a headwind for its miss on revenues. This week will see earnings for Facebook (FB), another large Internet advertiser, and for Apple (AAPL), a large tech retailer. Investors will have a keen eye on their earnings, as these names have been leaders through much of the bull market up until this point.
- There were a number of important data releases last week. On Wednesday, new home sales fell by 5.5 percent in September, as a slowdown in the Northeast affected overall sales.
- On Thursday, September's durable goods orders came in better than expected, with 0.8-percent growth against expectations for a decline of 1.5 percent.
- On Friday, the first estimate of third-quarter gross domestic product growth was released. Overall economic activity expanded by 3.5 percent on an annualized basis. This result was better than the expected 3.4-percent growth, but it was down from 4.2 percent in the second quarter.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–3.93	–8.67	0.98	5.85
Nasdaq Composite	–3.78	–10.90	4.67	10.46
DJIA	–2.97	–6.60	1.65	7.89
MSCI EAFE	–3.87	–9.86	–10.74	–7.83
MSCI Emerging Markets	–3.27	–10.27	–16.90	–12.83
Russell 2000	–3.76	–12.50	–2.42	0.35

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.34	–1.93	–1.17
U.S. Treasury	–0.03	–1.70	–1.09
U.S. Mortgages	–0.28	–1.35	–0.75
Municipal Bond	–0.41	–0.80	–0.26

Source: Morningstar Direct

What to Look Forward To

This is a very busy week for economic news. We'll get looks at consumer income, spending, and confidence, as well as manufacturing industry sentiment, the trade balance, and, most important, the job market.

On Monday, the personal income and spending report will be released. Personal income is expected to rise by 0.4 percent in September, up from 0.3 percent in August, on faster wage growth. There may be some downside risk here, as hiring slowed last month. Personal spending is also expected to rise. It should go from 0.3 percent in August to 0.4 percent in September on a spike in auto sales to replace those damaged by Hurricane Florence. Here, there may be some upside risk. This would remain a healthy level of spending growth and would be well supported by income growth.

On Tuesday, the Conference Board Consumer Confidence Index is expected to pull back slightly, going from 138.4 to a still very high 136.2 on rising gas prices. This result would still be close to the highest levels in the past 20 years and would be supportive of continued growth.

On Thursday, the Institute for Supply Management Manufacturing index is expected to drop slightly. It should go

What to Look Forward To (continued)

from 59.8 to 59.4, in another tick down after an unexpected surge in August. This is a diffusion index, where values above 50 indicate expansion and below 50 indicate contraction. So, even with the small decline, this level remains quite strong. The pullback is expected to come from slowing global growth in general and the recent appreciation in the dollar specifically, which has been increasing the costs of U.S. products to foreign buyers. Uncertainty over trade policy remains a headwind as well. With manufacturing growth slowing, there may be some downside risk to this indicator. Even with a larger pullback, however, this would still remain positive for the economy as a whole.

On Friday, the international trade report is expected to show the trade deficit improved slightly, going from \$53.2 billion to \$52.8 billion. We already know from the advance report that the trade deficit in goods widened, as export growth has now dropped back even as imports have increased. As such, there may be some additional downside risk to this report. Overall, if the numbers come in as expected, trade will likely be a drag on fourth-quarter growth.

Finally, on Friday, the employment report is expected to show that job growth rebounded to a very healthy 190,000 in October from a weak September report of 134,000. The unemployment rate is expected to stay at a very low 3.7 percent. Wage growth is expected to pull back a bit, from 0.3 percent in September to 0.2 percent for October, on a monthly basis; on an annual basis, however, wage growth is expected to rise from 2.8 percent to 3.1 percent on base effects. There is some downside risk here, depending on the impact from Hurricane Michael. But if the numbers come in as expected, this would be another healthy report and signal continued economic growth. It would also likely support another rate hike from the Federal Reserve in December.

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