Weekly Market Update

General Market News

- After several weeks of rates moving lower across the curve—with the 10-year U.S. Treasury reaching a low of 2.54 percent a little more than a week ago—rates were back up last week. The 10-year opened at 2.68 percent early Monday, while the 30-year opened just above 3 percent and the 2-year opened at 2.52 percent. Some parts of the curve remain inverted and, in some cases, are slightly deeper than in weeks past. Once the inversion process begins, the curve typically becomes fully inverted within months, which has historically indicated oncoming recessions.

- The three major U.S. markets all finished the week higher, as Chinese economic stimulus and stronger-than-expected employment data eased fears of a deceleration in global growth. After extending talks for an additional day, Chinese and U.S. negotiators came away with positive sentiment following their discussions.

- The top-performing sectors were industrials, REITs, consumer discretionary, and technology. These cyclical sectors continued their rebound from December's sell-off as trade talks and strong employment sparked an uptick in investor confidence.

- Last week saw the release of a handful of important economic updates; however, the ongoing government shutdown has delayed some data releases. On Monday, the Institute for Supply Management Nonmanufacturing index declined to 57.6, down from the previous reading of 60.7.

- On Friday, the Consumer Price Index showed annual consumer inflation of 1.9 percent, which is down from the previous level of 2.2 percent. Inflation at these levels is largely in line with Federal Reserve (Fed) targets.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	2.58	3.63	3.63	–4.34
Nasdaq Composite	3.45	5.09	5.09	–2.29
DJIA	2.42	2.93	2.93	–4.02
MSCI EAFE	2.89	3.90	3.90	–12.64
MSCI Emerging Markets	3.77	3.70	3.70	–13.96
Russell 2000	4.84	7.36	7.36	–7.57

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.18	0.18	0.66
U.S. Treasury	–0.02	–0.02	1.46
U.S. Mortgages	0.17	0.17	1.52
Municipal Bond	0.32	0.32	2.03

Source: Morningstar Direct

What to Look Forward To

This week's data starts with prices and whether inflation is picking up. On Tuesday, the producer prices report will be released. The headline index, which includes energy and food, is expected to drop by 0.1 percent for December, down from a 0.1-percent increase in November, on declines in gasoline and commodity prices. The annual change is expected to stay steady at 2.5 percent, on base effects, indicating that longer-term inflation pressures remain elevated above the Fed's target range but may be moderating. The core index, which excludes energy and food, is also expected to show slower growth, at 0.2 percent for December, down from 0.3 percent for November. Here, the annual figure is expected to rise from 2.7 percent to 3 percent, also on base effects. This increase will keep some pressure on the Fed to raise rates.

Also on Tuesday, the retail sales report is due, but it will not be released until the end of the federal government shutdown. If it is released, it is expected to show faster growth, rising from 0.2 percent in November to 0.3 percent in December. Core retail sales, which exclude autos, are expected to be steady, with December growth of 0.2 percent. There may be some downside risk to these numbers, with the fading of the tax cut boost and recent turbulence in the financial markets.

What to Look Forward To (continued)

The National Association of Home Builders survey will also be released on Tuesday. It is expected to bounce back slightly, rising from 56 in December to 57 for January, after a large drop over previous months. On Thursday, the housing starts report will be released if the government reopens. It is expected to drop slightly, from 1.256 million to 1.253 million annualized, although the survey results and building permit data suggest the final result might be better than expected. Overall, these figures would suggest the housing slowdown may be moderating if they come in as expected.

On Friday, the industrial production report is expected to pull back from a surprise gain of 0.6 percent for November to a still healthy gain of 0.3 percent for December. There may be some downside risk here, on a weather-related decrease in utility production. Manufacturing is expected to do well, with growth rising from flat in November to growth of 0.3 percent for December. There may be some downside risk here, as surveys have weakened recently.

Finally, the University of Michigan consumer confidence survey, also released on Friday, is expected to show confidence pulling back further from 98.3 for December to 96.4 for January. This would remain a high level, historically, and suggests that consumers are not significantly worried about the recent stock market turbulence or the trade war, given the continued strong labor market and decline in gas prices. This level should continue to support consumer spending and economic growth.

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