

# Weekly Market Update



## General Market News

- Rates continued to move lower last week, as the 10-year U.S. Treasury reached its lowest point in more than a month at 2.62 percent. The low for the 10-year in 2019 is 2.55 percent (on January 3). Over the past 12 months, the 10-year is down 20 basis points, standing as high as 3.23 percent last November. The longer end of the curve is pointing more and more toward an economic slowdown, as the 30-year broke below 3 percent on Monday morning.
- All three major U.S. indices were up slightly last week. The Nasdaq Composite led the way, posting a gain of 0.53 percent. This was supported by a rebound in large tech names, including Apple (AAPL), up 2.3 percent, and Microsoft (MSFT), up 2.8 percent on the week.
- The major news came from President Trump, as he stated that a meeting with Chinese President Xi will not take place before the March trade deal deadline. In other international news, the European Commission cut its eurozone forecast for 2019 to 1.3 percent from 1.9 percent. This comes following softer German manufacturing data for December.
- Last week was relatively quiet on the economic update front, as there were only two major data releases. On Tuesday, the Institute for Supply Management Nonmanufacturing index declined by more than expected, falling to 56.7. This is still a level that indicates economic expansion.
- On Wednesday, the international trade report for November showed an unexpected decline in the trade deficit. This was driven by a larger decline in imports than exports as U.S. firms stockpiled imports earlier in the year in anticipation of increased tariffs.

## Market Index Performance Data

### EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.11	0.21	8.24	7.04
Nasdaq Composite	0.53	0.29	10.10	8.90
DJIA	0.32	0.58	7.91	7.69
MSCI EAFE	-1.38	-1.44	5.06	-7.77
MSCI Emerging Markets	-1.34	-1.32	7.34	-8.38
Russell 2000	0.32	0.49	11.80	4.29

Source: Bloomberg

### FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.13	1.20	3.22
U.S. Treasury	0.13	0.60	3.59
U.S. Mortgages	-0.06	0.74	3.65
Municipal Bond	0.27	1.02	3.79

Source: Morningstar Direct



## What to Look Forward To

This week is a busy one for economic data, with the regularly scheduled reports joined by some catch-up data.

On Wednesday, the consumer price reports will be released. The headline index, which includes energy and food, is expected to rise by 0.1 percent for January, up from a 0.1-percent decline in December. This would take the annual rate down from 1.9 percent to 1.5 percent on base effects. A drop in the price of gasoline and natural gas is the primary factor in the significant annual decline. The core index, which excludes food and energy, should hold steady at a 0.2-percent gain for January, the same as December.

Here, the annual figure should pull back slightly from 2.2 percent to 2.1 percent. If the numbers come in as expected, inflation will remain solidly under control, which will likely keep the Federal Reserve patient on interest rates.

On Thursday, the producer price reports are also expected to show moderating inflation. The headline index should rise from a 0.2-percent decline in December to a 0.1-percent increase in January, but the annual rate will likely decline from 2.5 percent to 2.3 percent on base effects. Core prices are also expected to rise on a monthly basis, from a 0.1-percent decline in December to a 0.2-percent gain in

**What to Look Forward To (continued)**

January. The annual figure will likely drop here as well, however, from 2.7 percent to 2.5 percent.

The retail sales report, a catch-up report, will be released on Thursday. The headline index will likely pull back slightly, from a 0.2-percent gain in November to a 0.1-percent gain in December. The core index, which excludes autos, is expected to pull back a bit more, from a 0.2-percent gain in November to flat in December. Much of this is due to lower gasoline prices, but there are also signs that underlying spending growth may be slowing, and there is some downside risk to these numbers.

On Friday, the industrial production report is also expected to pull back slightly.

Growth of 0.3 percent in December will likely drop to 0.1 percent in January, largely on reduced manufacturing output. Manufacturing is expected to decline from an unanticipated surge of 1.1-percent growth in December to 0.2 percent in January on a decline in employee hours. There may be some downside risk to both these numbers on slowing global demand.

Finally, also on Friday, the initial release of the University of Michigan consumer confidence index should rebound a bit, from 91.2 in January to 94 in February. The government shutdown was responsible for much of the recent decline, reportedly, so its end should help the index bounce back. Lower gas prices and the stock market recovery should also help.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. Rev. 02/19.

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