Weekly Market Update

General Market News

- The 10-year Treasury yield reached a high of 1.75 percent last week and opened at 1.50 percent on Monday. In the same time frame, the 30-year went from a high of 2.20 percent to below 2 percent, and the 2-year went from 1.68 percent to 1.35 percent. This volatility is likely here to stay, but as we've mentioned before, the general trend over the next year should lean toward lower rates.

- Global equities were mostly down last week, as concerns over global growth ticked up. Equities sold off following a 10-year low in the Institute for Supply Management (ISM) Manufacturing index. It showed a decline from 49.1 to 47.8, against an expected increase to 50. As this is a diffusion index, the decline further below 50 shows that the manufacturing sector of the economy continues to contract.

- We also saw softness in the ISM Nonmanufacturing index, which hit a 3-year low on Thursday. It fell from 56.4 to 52.6, against an estimated decline to 55. Although the value is still above 50, indicating expansion, it does reveal some concern about the slowdown in manufacturing leaking into the broader service sector of the economy. This result was offset partially by an increase in expectations for an October federal funds rate cut.

- The top-performing sectors last week were technology, health care, and consumer staples. Technology was supported by reports that Apple's iPhone production was raised by 10 percent. The worst-performing sectors were energy, materials, and industrials. The 5.5 percent drop in West Texas Intermediate crude oil led to weakness in the energy sector.

- On Friday, the employment report was a mixed bag. Nonfarm payrolls came in at 136,000, slightly below expectations of 145,000. The August jobs numbers were revised upward by 38,000. Unemployment declined from 3.7 percent to 3.5 percent, while underemployment declined from 7.2 percent to 6.9 percent, all postrecession lows. One drawback to the report was that average hourly earnings were flat versus an expectation of 0.2 percent month-over-month growth.

- The international trade balance was also released on Friday. It showed a slight widening to \$54.9 billion versus the prior period of \$54 billion, as the trade war with China continues to affect the balance of trade. The U.S. also recently won a WTO ruling, which allowed the U.S. to put \$7.5 billion of tariffs on EU goods. This move could affect the trade balance going forward.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	−0.30	−0.80	19.59	3.83
Nasdaq Composite	0.57	−0.19	21.32	2.44
DJIA	−0.88	−1.23	16.06	2.23
MSCI EAFE	−2.16	−1.83	11.28	−1.05
MSCI Emerging Markets	−0.46	−0.41	5.78	1.59
Russell 2000	−1.28	−1.47	12.49	−7.54

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.77	9.35	12.00
U.S. Treasury	1.04	8.84	12.45
U.S. Mortgages	1.04	8.84	12.45
Municipal Bond	0.56	7.35	9.65

Source: Morningstar Direct

What to Look Forward To

On Tuesday, September's Producer Price Index is set to be released. Economists expect to see a modest increase of 0.1 percent for the month, as declining fuel prices helped calm inflationary pressures. On an annual basis, producer inflation is expected to come in at 1.8 percent. Core producer inflation, which strips out the effect of food and energy prices, is expected to show monthly and annual growth of 0.2 percent and 2.4 percent, respectively.

On Wednesday, the minutes from the Federal Reserve's (Fed's) September meeting will be released. This will be a closely followed release, as the Fed cut the federal funds rate by 25 basis points at that meeting. Three of the voting members voted against the rate cut. The minutes are expected to provide details into why they dissented and what it could take to make them vote for further rate cuts. Given the disappointing data we've seen since the September meeting, market participants widely expect the Fed to cut interest rates by another 25 basis points at its December meeting.

On Thursday, we'll get a look at consumer inflation with the release of the Consumer Price Index for September. Consumer prices are expected to show an increase comparable to producer prices, with

What to Look Forward To (continued)

0.1 percent monthly and 1.9 percent annual growth forecasted. Core prices that strip out gas and food are expected to come in slightly higher, with 0.2 percent and 2.4 percent monthly and annual growth, respectively. If results meet the forecasts, they would mark an 11-year high for core consumer inflation. There is potential for further price increases, as tariffs enacted at the beginning of the month on Chinese goods focused largely on consumer products.

Finally, we'll finish the week with the release of the University of Michigan consumer confidence survey, which is expected to show a slight decline from 93.2 in September to 92 in October. These numbers are down sharply from a recent high of 100 in May. High levels of consumer confidence have supported the strong growth in consumer spending we've experienced in the past two quarters, so this projected drop is worth monitoring. It could indicate that consumers are losing confidence in the economic expansion and may be less willing to spend freely going forward.

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