

# WeeklyMarket Update



## General Market News

- Volatility continues to be the main story in rates, as the 10-year Treasury opened last week at 1.5 percent and closed the week at 1.76 percent. The 30-year Treasury was back below 2 percent briefly but closed the week at 2.24 percent. The 2-year Treasury went from 1.35 percent to 1.59 percent. The Treasury market will be closed today in recognition of the holiday, but we should continue to expect volatility in the rates markets going forward.
- Global equities were up across the board as the U.S. and China agreed to a phase-one trade deal. Additional global tensions eased with positive news regarding a potential Brexit deal. The news came as British Prime Minister Boris Johnson offered concessions to Ireland during his discussion with Irish Prime Minister Leo Varadkar.
- The risk-on trade was on for investors as global trade tensions eased. The result was a rally in more cyclical sectors such as industrials, technology, energy, and consumer discretionary. Those defensive sectors (i.e., utilities, consumer staples, REITs) that had been leading in the prior three weeks lagged. Potential trade headwinds still linger via future U.S.-China trade discussions, Brexit, U.S.-EU trade deals, and the United States-Mexico-Canada Agreement, however.
- On Tuesday, the September **Producer Price Index** was released. Producer prices fell by 0.3 percent during the month, which caused year-over-year producer inflation to fall to 1.4 percent.
- Thursday saw the release of the **Consumer Price Index**. Consumer prices were flat during the month, against expectations for a modest 0.1 percent increase. Year-over-year consumer inflation fell to 1.7 percent. Both consumer and producer inflation now sit comfortably below the Federal Reserve's stated 2 percent inflation target, which could help justify further rate cuts during the fourth quarter.
- On Friday, the **University of Michigan consumer sentiment survey** was released. Consumer confidence rose by much more than expected, from 93.2 in September to 96 in October, against expectations for a modest decrease to 92. This was a very welcome result that helped calm fears of weakening consumer sentiment and spending as we kick off the fourth quarter.

## Market Index Performance Data

### EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.66	-0.14	20.38	11.12
Nasdaq Composite	0.94	0.75	22.45	11.16
DJIA	0.93	-0.31	17.14	9.65
MSCI EAFE	2.31	0.44	13.85	6.15
MSCI Emerging Markets	1.53	1.12	7.41	9.13
Russell 2000	0.77	-0.72	13.35	-0.72

Source: Bloomberg

### FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	-0.27	8.23	10.50
U.S. Treasury	-0.35	7.33	10.48
U.S. Mortgages	0.01	5.61	8.32
Municipal Bond	0.26	7.03	9.70

Source: Morningstar Direct



## What to Look Forward To

On Wednesday, September's **retail sales report** is set to be released. Economists expect to see 0.3 percent growth in headline sales, which would mark the seventh straight month of sales growth. Core retail sales, which strip out volatile auto and gas prices, are also expected to show 0.3 percent growth. Given the improved consumer confidence in September, it would not be surprising to see another strong retail sales result.

Wednesday will also see the release of the **National Association of Home Builders Housing Market Index**. This measure of

home builder confidence is expected to remain flat at 68 in October, after rising to an 11-month high in September. Low interest rates and high buyer demand are expected to help bolster confidence. On Thursday, September's **building permits** and **housing starts** are set to be released. Both are expected to fall following a surge in August.

Also on Thursday, September's **industrial production report** is set to be released. Economists expect production to decline by 0.1 percent, driven by a 0.3 percent decline in manufacturing

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

output. Manufacturing confidence fell in September and spent the second straight month in contradictory territory. August saw a 0.6 percent jump in

industrial production, but trade war escalations and the start of the General Motors strike in September are likely to weigh on production.

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. 10/19.

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