NOVEMBER 11, 2019

Weekly Market Update

General Market News

- The 10-year Treasury yield closed last Friday at 1.94 percent, its highest level since early August. The 30-year closed at 2.42 percent, and the 2-year stood at 1.67 percent. One year ago today, the 10-year stood at 3.14 percent.
- Global equity markets rallied for much of the week, as expectations rose for a "phase one" trade deal between the U.S. and China. That was until Friday, when President Trump stated he had not yet agreed on rolling back tariffs. This news came just one day after China announced that both sides had agreed to roll back tariffs.
- Last week marked the fifth straight week of gains for the S&P 500, with the more cyclical sectors—financials, energy, and materials, and industrials—leading the way. The bond proxies in REITs, utilities, and consumer staples were among the worst-performing sectors.
- On Tuesday, the Institute for Supply Management Nonmanufacturing index was released. This measure of confidence for the service sector increased by more than expected, from a three-year low of 52.6 in September to 54.7 in October. Economists had predicted a more modest increase to 53.5. This is a diffusion index, where values greater than 50 indicate expansion, so this result may help calm fears of a potential recession in the service sector.
- On Friday, the University of Michigan consumer sentiment survey was released. Consumer confidence rose from 95.5 in October to 95.7 in November, against expectations to remain flat. A stronger-than-expected October jobs report, combined with equity markets near all-time highs early in the month, helped support higher confidence levels. High consumer confidence has supported the strong consumer spending growth we've experienced throughout most of the year, so this result was welcome, even if it was only a modest increase in absolute terms.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.93	1.91	25.52	12.48
Nasdaq Composite	1.11	2.26	28.91	13.79
DJIA	1.37	2.50	21.15	8.29
MSCI EAFE	0.54	1.11	18.74	10.28
MSCI Emerging Markets	1.50	2.21	13.15	10.40
Russell 2000	0.63	2.37	19.96	2.81

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–1.02	7.74	10.60
U.S. Treasury	–1.41	6.26	9.84
U.S. Mortgages	–0.26	5.70	8.95
Municipal Bond	–0.55	6.36	9.01

Source: Morningstar Direct

What to Look Forward To

On Wednesday, the Consumer Price Index (CPI) for October is scheduled to be released. Headline inflation is set to increase by 0.3 percent during the month, following a flat September. On a year-over-year basis, economists expect headline inflation to remain steady at 1.7 percent. One of the major drivers of low headline inflation is the low gas prices we've seen this year. Core CPI, which strips out the impact of volatile food and energy prices, is set to show 2.4 percent annual growth.

Speaking of inflation, on Thursday, the Producer Price Index for October will be released. As was the case with consumer prices, economists expect to see headline inflation increase by 0.3 percent during the month. Core producer inflation is expected to grow at a faster rate than the headline figure. The forecast for core prices is a 1.5 percent increase on a year-over-year basis, compared to 0.9 percent annual headline inflation growth. Despite the expected uptick in both consumer and producer prices for October, inflation remains largely subdued and below the Federal Reserve's 2 percent target.

On Friday, the October retail sales report is set to be released. Economists expect

What to Look Forward To (continued)

a rebound in retail sales of 0.2 percent following the 0.3 percent decline in September. September marked the first time in seven months that sales declined, so a return to growth in October would be quite welcome. Consumer spending growth powered much of the economic expansion in the second and third quarters, so continued sales growth to start the fourth quarter would bode well for overall economic growth.

Finally, we'll finish out the week with the release of the October industrial production report. Economists are predicting another down month for industrials, with a 0.3 percent decline expected to follow the 0.4 percent drop in September. Manufacturing output is expected to fall 0.5 percent in October, matching a similar decline in September. For the second month in a row, the GM strike is partially to blame for the anticipated decline. Even before the strike, however, manufacturer confidence had dropped to recessionary levels due to the uncertainty caused by the trade war. Going forward, there may be some room for industrial production growth in November. The end of the GM strike, combined with the potential de-escalation of the trade war, could help spur manufacturer confidence and output.

Authored by the Investment Research team at Commonwealth Financial Network.