DECEMBER 30, 2019

Weekly Market Update

General Market News

- Treasury yields retreated from recent highs last week. The 10-year Treasury yield fell from 1.92 percent at the beginning of the week to 1.88 percent at week-end. The 30-year also declined, from 2.35 percent to 2.32 percent.

- Global equities continued their rally yet again last week. The top-performing sectors were consumer discretionary, technology, and materials, and the tech-heavy Nasdaq Composite led the three major domestic indices. Growth in technology and consumer discretionary was driven largely by the first four of the five FAAMG constituents (i.e., Facebook, Amazon, Apple, and Microsoft). These four stocks were among the top seven contributors to the S&P 500 for the week. Amazon was supported by record-breaking holiday sales and more than 5 million new customers starting Prime trials in one week alone. The worst-performing sectors were utilities, real estate, and materials.

- On Monday, November's durable goods orders report was released. Durable goods orders came in worse than expected, falling by 2 percent against expectations for 1.5 percent growth. Much of the weakness in headline orders is due to a significant slowdown in volatile defensive aircraft orders. Core durable goods orders, which strip out the impact of transportation orders, were flat for the month. Core durable goods orders are often used as a proxy for business investment, so the flat month for core orders was a silver lining in an otherwise disappointing release.

- Also on Monday, we saw the release of November's new home sales report. New home sales increased by 1.3 percent during the month, which beat expectations for a modest 0.1 percent decline. Sales increased in the northeast and western regions but remained flat in the Midwest and declined in the South. This result left new home sales at their third-highest monthly level since 2007. On a year-over-year basis, new home sales are up more than 18 percent, highlighting the rebound in the housing sector that we've seen this year.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.60	3.29	31.84	32.83
Nasdaq Composite	0.92	4.01	37.20	38.39
DJIA	0.67	2.25	25.81	26.84
MSCI EAFE	0.77	3.54	22.36	24.72
MSCI Emerging Markets	1.16	7.84	18.84	20.52
Russell 2000	–0.15	2.86	25.50	27.15

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.07	8.87	9.18
U.S. Treasury	–0.35	7.08	7.36
U.S. Mortgages	0.23	6.30	6.69
Municipal Bond	0.31	7.54	7.61

Source: Morningstar Direct

What to Look Forward To

On Tuesday, the Conference Board Consumer Confidence Index is set to be released. Consumer confidence is expected to increase from 125.5 in November to 128 in December. If the estimates are accurate, the index would hit its highest level since August, offsetting a surprising drop to a five-month low in November. With equity markets setting all-time highs during the month and November's jobs report coming in above predictions, it's not surprising that consumer confidence is expected to increase. Still, such a result would be quite welcome, as increasing consumer confidence helps support faster spending growth. A rebound in confidence in December would bode well for consumer spending data for the holiday season.

On Friday, the Institute for Supply Management Manufacturing index for December will be released. This measure of manufacturer confidence is expected to increase slightly from 48.1 in November to 49 in December. This is a diffusion index, where values below 50 indicate contraction, so, although the anticipated increase is welcome, it would still leave the manufacturing sector in a recessionary state. Trade-related

What to Look Forward To (continued)

uncertainty continues to weigh on manufacturer confidence. Additional progress between the U.S. and China on trade negotiations could help calm concerns and bring the index back to expansionary territory.

Friday will also see the release of the minutes from the December Federal Open Market Committee meeting. The Federal Reserve (Fed) decided to leave rates unchanged at this meeting, breaking a streak of three straight meetings with a rate cut. Fed Chairman Jerome Powell indicated at his post-meeting press conference that the Fed will likely leave rates unchanged for the foreseeable future, unless material risks to economic expansion emerge. Economists will be looking at the minutes to see how other Fed governors view the current expansion and what risks they are monitoring. Others will be interested in comments regarding the Fed's ongoing actions in the overnight repurchase market. The Fed has been providing liquidity to this market since September, so market participants will be looking for clarity as to the Fed's plans as we enter the new year.

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