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Market Week: January 7, 2019



The Markets (as of market close January 4, 2019)

Stocks posted solid gains by the close of the first week of the new year. A favorable jobs report helped push the benchmark indexes listed here higher last Friday, as stocks recovered from an ominous start at the beginning of the week. Helping ease investors' fears of a slowing economy, Fed Chair Jerome Powell indicated economic data is pointing to a good start to the economy in 2019, but, more importantly, the Federal Reserve is amenable to making adjustments if necessary. The small caps of the Russell 2000 led the way last week, followed by the Nasdaq and the Global Dow. The large caps of the S&P 500 and the Dow also advanced by more than 1.50%.

Oil prices advanced slightly last week, closing at \$48.26 per barrel by late Friday, up from the prior week's closing price of \$45.07 per barrel. The price of gold (COMEX) increased last week, closing at \$1,286.70 by last Friday evening, up from the prior week's price of \$1,283.10. The national average retail regular gasoline price was \$2.266 per gallon on December 31, 2018, \$0.055 lower than the prior week's price and \$0.254 less than a year ago.

| Market/Index | 2018 Close | Prior Week | As of 1/4 | Weekly Change | YTD Change |
|-------------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 23327.46 | 23062.40 | 23433.16 | 1.61% | 0.45% |
| Nasdaq | 6635.28 | 6584.52 | 6738.86 | 2.34% | 1.56% |
| S&P 500 | 2506.85 | 2485.74 | 2531.94 | 1.86% | 1.00% |
| Russell 2000 | 1348.56 | 1337.92 | 1380.75 | 3.20% | 2.39% |
| Global Dow | 2736.74 | 2718.19 | 2772.41 | 1.99% | 1.30% |
| Fed. Funds target rate | 2.25%-2.50% | 2.25%-2.50% | 2.25%-2.50% | 0 bps | 0 bps |
| 10-year Treasuries | 2.68% | 2.71% | 2.66% | -5 bps | -2 bps |

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic Headlines

- **Note:** Due to the government shutdown, some economic reports are unavailable. If and when information is released, it will be included in the corresponding Market Week report.
- There were 312,000 new jobs added in December, but the unemployment rate rose 0.2 percentage point to 3.9%. Job gains occurred in health care, food services and drinking places, construction, manufacturing, and retail trade. The number of unemployed persons increased by 276,000 to 6.3 million. Comparatively, the unemployment rate was 4.1% and the number of unemployed was 6.6 million in December 2017. The labor force participation rate was 63.1%, and the employment-population ratio was 60.6% for the third consecutive month. The average workweek increased by 0.1 hour to 34.5 hours in December. Average hourly earnings rose \$0.11 to \$27.48. Over the year, average hourly earnings have increased by \$0.84, or 3.2%.

Key Dates/Data Releases

1/7: ISM Non-Manufacturing Index

1/8: International trade, JOLTS

1/11: Consumer Price Index, Treasury budget

- Purchasing managers noted a drop-off in confidence among manufacturers in December, with the degree of optimism dipping to the lowest point since October 2016. The IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.8 in December, down from 55.3 in November. Overall, manufacturers' optimism and production fell to their lowest respective levels in 15 months. Job creation sputtered to an 18-month low.
- The report from the Institute for Supply Management® followed the Markit results. The December PMI® registered 54.1%, a decrease of 5.2 percentage points from the November reading of 59.3%. The New Orders Index registered 51.1%, a decrease of 11 percentage points from the November reading of 62.1%. The Production Index registered 54.3%, a 6.3 percentage point decrease compared to the November reading of 60.6%. The Employment Index registered 56.2%, a decrease of 2.2 percentage points from the November reading of 58.4%.
- For the week ended December 29, there were 231,000 new claims for unemployment insurance, an increase of 10,000 from the previous week's level, which was revised up by 5,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended December 22. The advance number of those receiving unemployment insurance benefits during the week ended December 22 was 1,740,000, an increase of 32,000 from the prior week's level, which was revised up by 7,000.

Eye on the Week Ahead

Can the market sustain its push upward, or was last week merely the result of investors taking advantage of lower stock prices? If the government shutdown ends, we should see many economic reports come out this week, including the latest releases on international trade, the federal budget deficit, and the Consumer Price Index.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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