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Market Week: August 13, 2018



The Markets (as of market close August 10, 2018)

Despite the continued strength shown in corporate earnings reports, investors reeled in their enthusiasm last week, sending the large caps of both the S&P 500 and the Dow plummeting. Ongoing tensions between China, Russia, and now Turkey seem to have dampened investors' confidence. Following new sanctions levied against Russia by the United States, Russian Prime Minister Medvedev threatened that Russia will consider U.S. sanctions a declaration of economic war. Meanwhile, U.S. threats against Turkey for refusing to release an American pastor added to Turkey's economic crisis as the lira fell 14% against the dollar. And China has warned of a protracted trade war if the United States continues to add tariffs on Chinese goods.

All of which has affected the benchmark indexes listed here. In addition to the faltering Dow and S&P 500, the Global Dow fell almost 1.0% for the week and is down 1.28% compared to its year-end value. The tech-heavy Nasdaq held its own, while the small caps of the Russell 2000 climbed 0.80% and are ahead of last year's closing value by almost 10%.

The price of crude oil (WTI) fell again last week, closing at \$67.78 per barrel, down from the prior week's closing price of \$68.68 per barrel. The price of gold (COMEX) also dropped last week, closing at \$1,219.30 by early Friday evening, down from the prior week's price of \$1,221.90. The national average retail regular gasoline price climbed to \$2.852 per gallon on August 6, 2018, \$0.006 higher than the prior week's price and \$0.474 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 8/10	Weekly Change	YTD Change
DJIA	24719.22	25462.58	25313.14	-0.59%	2.40%
Nasdaq	6903.39	7812.01	7839.11	0.35%	13.55%
S&P 500	2673.61	2840.35	2833.28	-0.25%	5.97%
Russell 2000	1535.51	1673.37	1686.80	0.80%	9.85%
Global Dow	3085.41	3074.54	3046.05	-0.93%	-1.28%
Fed. Funds target rate	1.25%-1.50%	1.75%-2.00%	1.75%-2.00%	0 bps	50 bps
10-year Treasuries	2.41%	2.94%	2.87%	-7 bps	46 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

- Driven by rising housing and vehicle prices, the Consumer Price Index rose 0.2% in July following a 0.1% increase in June. Housing prices rose 0.3%, accounting for nearly 60% of the CPI monthly increase. Transportation also increased 0.3% for the month and 7.3% over the last 12 months. From last July, the CPI has risen 2.9%. The index less food and energy also expanded by 0.2% in July — the same as in May and June. The index less food and energy rose 2.4% for the 12 months ended July; this was

Key Dates/Data Releases

8/14: Import and export prices

8/15: Retail sales, industrial production

8/16: Housing starts

the largest 12-month increase since the period ended September 2008.

- Prices at the producer level were unchanged in July after advancing 0.3% in June. Over the 12 months ended in July, producer prices have increased 3.3%. Producer prices for goods increased 0.1% in July, which was offset by a 0.1% decrease in prices for services. Prices less foods, energy, and trade services moved up 0.3% in July, the same as in June. For the 12 months ended in July, prices less foods, energy, and trade services climbed 2.8%.
- The 2018 federal budget deficit continues to expand, outpacing last year's deficit. The July deficit was \$76.9 billion — about \$2 billion ahead of June's deficit. For the year, the deficit sits at about \$684 billion, or more than 17% ahead of the budget deficit over the same period last year.
- According to the Job Openings and Labor Turnover Summary, the total number of job openings ticked up to 6.7 million at the end of June — little changed from May's total. Some sectors that saw an increase in job openings include education and health services, construction, manufacturing, wholesale and retail trade, finance and insurance, real estate and rental and leasing, and leisure and hospitality. Job openings fell in transportation, warehousing, utilities, and information. The total number of hires fell by less than 100,000 in June, while total separations increased by less than 100,000. Over the 12 months ended in June, hires totaled 66.6 million and separations totaled 64.1 million, yielding a net employment gain of 2.5 million.
- In the week ended August 4, there were 213,000 initial claims for unemployment insurance, a decrease of 6,000 from the previous week's level, which was revised up by 1,000. The advance rate for insured unemployment claims remained at 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended July 28 was 1,755,000, an increase of 29,000 from the prior week's level, which was revised up by 2,000.

Eye on the Week Ahead

This week investors will continue to focus on world events as they impact the U.S. economy. The July report on import and export prices may show the impact of the ongoing trade wars.

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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