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Market Week: August 5, 2019

The Markets (as of market close August 2, 2019)

Not even a strong labor report could save stocks from tumbling last week, likely in response to President Trump's tweet that he intended to raise tariffs on an additional $300 billion worth of Chinese imports beginning next month. Trading volume spiked last week as did volatility, with the Cboe Volatility Index® hitting its highest level since May. Rising trade tensions between the economic giants sent global stocks reeling while bond prices soared, sending yields plummeting. Each of the benchmark indexes listed here lost at least 2.60% last week, with the Nasdaq falling almost 4.00%.

Oil prices fell last week, closing at $55.23 per barrel by late Friday afternoon, down from the prior week's price of $56.17. The price of gold (COMEX) spiked last week, closing at $1,452.70 by late Friday afternoon, up from the prior week's price of $1,418.40. The national average retail regular gasoline price was $2.715 per gallon on July 29, 2019, $0.035 lower than the prior week's price and $0.131 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 8/2	Weekly Change	YTD Change
DJIA	23327.46	27192.45	26485.01	-2.60%	13.54%
Nasdaq	6635.28	8330.21	8004.07	-3.92%	20.63%
S&P 500	2506.85	3025.86	2932.05	-3.10%	16.96%
Russell 2000	1348.56	1578.97	1533.66	-2.87%	13.73%
Global Dow	2736.74	3104.51	3005.80	-3.18%	9.83%
Fed. Funds target rate	2.25%-2.50%	2.25%-2.50%	2.00%-2.25%	-25 bps	-25 bps
10-year Treasuries	2.68%	2.00%	1.85%	-15 bps	-83 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 News

- For the first time since 2008, the Federal Open Market Committee voted to lower interest rates. Following its July 31 meeting, the FOMC decided to lower the target range for the federal funds rate 25 basis points to 2.00%-2.25%. The Committee vote was not unanimous as 2 of the 10 members voted against a rate reduction. In any case, after noting that economic activity has been rising at a moderate rate, job gains have been solid, household spending has picked up, and the unemployment rate has remained low, the Committee noted that growth of business fixed investment has been soft and inflation is running below the Committee's 2.00% target. Also of note, the Committee specifically referenced for the first time "global developments for the economic outlook" as a reason for lowering the target range for the federal funds rate.
- Employment rose by 164,000 jobs in July, and the unemployment rate remained at 3.7%. In 2018, employment gains had averaged 223,000 per month. In July, notable job gains occurred in professional and technical services (31,000), health care (30,000), social assistance (20,000), and financial activities

Key Dates/Data Releases

8/5: ISM Non-Manufacturing Index

8/6: JOLTS

8/9: Producer Price Index

(18,000). There were approximately 6.1 million unemployed in July, 88,000 more than in June. In July, the labor force participation rate was 63.0%, and the employment-population ratio was 60.7%. The average workweek decreased by 0.1 hour to 34.3 hours in July. Average hourly earnings rose by $0.08 to $27.98 last month — the same hourly increase as occurred in June. Over the past 12 months ended in July, average hourly earnings have increased by 3.2%.

- The trade deficit was $55.2 billion in June, down $0.2 billion from May's revised deficit. Both imports (-$4.6 billion) and exports (-$4.4 billion) fell from their May respective totals. Year-to-date, the goods and services deficit increased $23.2 billion, or 7.9%, from the same period in 2018. In June, goods trade deficits were noted with China ($30.2 billion), the European Union ($15.9 billion), Mexico ($9.2 billion), and Japan ($6.2 billion). Trade surpluses were with South and Central America ($4.8 billion), Hong Kong ($2.3 billion), Brazil ($1.3 billion), and the United Kingdom ($0.1 billion).
- Not unexpectedly, June saw prices for consumer products and services remain stable while consumer spending remained solid. According to the latest report from the Bureau of Economic Analysis, the personal consumption expenditures (PCE) price index, which measures changes in prices of consumer goods and services, inched up 0.1% in June over May. Excluding food and energy, consumer prices rose 0.2% in June. Personal income jumped 0.4% as did after-tax, or disposable, personal income. With a boost in income and low prices for goods and services, consumers spent more. PCE increased 0.3% in June. Much of the increase in consumer spending was attributable to nondurable goods and services. Consumers actually spent less on durable goods (expected to last at least three years).
- According to Markit's survey, manufacturing firms continued to see a slowdown in July. The purchasing managers' index last month fell to its lowest level since September 2009 with exports contracting for the second time in the last three months. Survey respondents noted softer demand for goods and muted business growth.
- The ISM® purchasing managers' index also fell in July from a month earlier, dropping from 51.7% to 51.2%. Production, employment, and prices fell last month, but new orders, supplier deliveries, and inventories increased, which is a good start for August.
- For the week ended July 27, there were 215,000 claims for unemployment insurance, an increase of 8,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended July 20. The advance number of those receiving unemployment insurance benefits during the week ended July 20 was 1,699,000, an increase of 22,000 from the prior week's level, which was revised up by 1,000.

Eye on the Week Ahead

Following last week's busy schedule of economic reports, this week does not include a lot of market-moving information. The Job Openings and Labor Turnover Survey (JOLTS) is expected to reveal similar job openings in June as existed in May. Another report of note, the Producer Price Index, saw producer prices increase slightly in June. It would not be surprising if prices showed no change in July.

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.

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