

THE WEEK IN REVIEW

Concerns mounted in equity markets this week as the S&P 500 declined 7.0% while the tech-heavy Nasdaq shed 8.4%, one of the worst weeks since March. A potential U.S. government shutdown, a Federal Reserve viewed as too aggressive, continued trade tensions with China, and signs of slowing global growth have combined to weigh heavily on markets in recent weeks. U.S. small cap stocks touched bear market territory on Monday with the Russell 2000 index down over 21% since its high in August. On average, small cap stocks tend to have a higher degree of leverage, and therefore more sensitivity to interest rate hikes. Gold (which investors tend to flock to during times of market stress) finished the week up 1.5%. Investors debated whether a slowdown in housing and recent economic data suggested a possible inflection point in the economy.

The Federal Reserve raised its benchmark interest rate by a quarter percentage point on Wednesday to a range of 2.25%-2.50%, but lowered its projections for future rate hikes. FOMC Chairman Jerome Powell signaled greater flexibility in the central bank's pace of future interest rate hikes. The minutes cited strong economic activity, robust labor market conditions, and inflation near the target range.

Despite the stock market volatility, consumer sentiment remained elevated, as the University of Michigan Consumer Sentiment Index increased in December to 98.3 from a prior 97.5. The housing market showed modest improvement as housing starts increased to an annualized rate of 1,256,000 units in November from 1,228,000 units in the prior month. Existing home sales increased 1.9% to an annualized rate of 5,320,000 units in November, though the data is 7% below the previous year. In the manufacturing sector, new orders increased a modest 0.8%. The Empire State Manufacturing Survey reported general business conditions fell twelve points to 10.9. Manufacturing businesses noted that activity continued to expand, but was noticeably slower than in recent months. Shipments climbed significantly, delivery times lengthened, and inventories increased. The report further indicated employment grew and hours worked increased modestly in the New York region. Manufacturing companies remained fairly optimistic with their six-month outlooks, though less than in the preceding month. The index of leading economic indicators increased 0.2% in November following a downwardly-revised -0.3% in October. The index is a composite of 10 forward-looking components including building permits, new factory orders, and unemployment claims.

ECONOMIC INDICATOR	LATEST	3MO PRIOR CHANGE	
Housing Starts (Millions Annualized)	1.256	1.280	▼
U. of Mich. Consumer Sentiment	98.3	100.1	▼
Durable Goods Orders	0.8%	4.7%	▼
GDP (QoQ Annualized)	3.4%	4.2%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	22445.37	-6.87%	-9.20%	-9.43%
NASDAQ	6333.00	-8.36%	-8.26%	-9.08%
S&P 500 Large Cap	2416.58	-7.05%	-9.61%	-9.98%
MSCI EAFE	1713.27	-2.25%	-16.46%	-15.75%
Barclays Aggregate US	2038.08	0.49%	-0.41%	0.08%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.38%	2.41%	2.40%	1.34%
10-Year Treasury	2.79%	2.89%	3.06%	2.48%

REPORTS DUE NEXT WEEK	LATEST
New Home Sales (Thousands Annualized)	544
Jobless Claims (Thousands Annualized)	214
International Trade in Goods (Billions)	-77.2

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.