

THE WEEK IN REVIEW

All three major U.S. equity indexes reached new record highs this week as the year-end rally continued. On Thursday, the tech-heavy Nasdaq index surpassed the 9,000 level for the first time. The S&P 500's 0.6% gain this week puts the index on track in December to post its fifth monthly gain above 3.0% this year. If the year-end rally continues, this year's S&P 500 performance could top the index's 29.6% price return in 2013 to become the best year since rising 31.0% in 1997. Equities received support this week from upbeat trade deal comments from the U.S. and China, robust holiday retail sales, and an improvement in some Chinese economic data. The positive risk sentiment among investors led to the U.S. 10-year Treasury yield declining to below 1.9%.

Strong holiday retail sales suggest that consumer spending remains healthy. During the holiday period from November 1 through Christmas Eve, retail sales, excluding vehicles, rose 3.4% year over year. Online sales rose 18.8%, up from 2018's 18.4% growth, as consumers increasingly conduct more of their shopping online. The apparel category stood out with stronger-than-expected online sales growth of 17.0%. Online shopping accounted for 14.6% of total sales. In response to the holiday retail sales data, shares of Amazon.com gained 4.5% on Thursday while apparel store stocks, including Macy's and Nordstrom, increased around 2.0%.

New home sales rebounded 1.3% in November from October to a seasonally adjusted annual rate of 719,000 units. Sales increased 17.0% from a year ago. The West region is leading the charge with new home sales up 48.0% from a year ago; sales in the South and Northeast regions are up 9.0% and 7.0%, respectively. The Midwest was the only region that experienced a decline from a year ago, down 1.4%. The sector's recent strong performance highlights its sensitivity to interest rate movements. The Federal Reserve cut interest rates 25 basis points three times this year which pushed mortgage interest rates down from last year's multi-year high.

ECONOMIC INDICATOR	LATEST 3MO PRIOR CHANGE		
Durable Goods Orders	-2.0%	0.2%	▼
New Home Sales (Thousands Annualized)	719	708	▲
Initial Jobless Claims (Thousands)	222	215	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	28645.26	0.67%	22.80%	23.80%
NASDAQ	9006.62	0.91%	35.74%	36.89%
S&P 500	3240.02	0.58%	29.25%	30.18%
MSCI EAFE	2031.12	0.14%	18.10%	20.36%
Bbg Barclays Aggregate US	2223.50	0.09%	8.64%	8.96%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.55%	1.59%	2.40%
10-Year Treasury	1.88%	1.77%	2.77%

REPORTS DUE NEXT WEEK	LATEST
ISM Manufacturing	48.1
S&P CoreLogic Case-Shiller U.S. HPI (YoY)	3.2%
Conf. Board Consumer Confidence	125.5

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