



## FINANCIAL MARKET UPDATE

8/24/18

### THE WEEK IN REVIEW

The S&P 500 Index closed at an all-time high of 2,874.69 on Friday, almost exactly seven months from the day of its previous closing high reached on January 26, 2018. The Dow Jones and technology-heavy NASDAQ indexes also advanced during the week to finish up 0.5% and 1.7%, respectively. Yields on the benchmark 10-year Treasury bond declined slightly to 2.81%, while U.S. crude oil prices advanced 2.2% to close the week at \$68.57 per barrel. As the current S&P 500 bull market became the longest on record this week, investors shrugged off the conviction of President Trump's former campaign chairman Paul Manafort, and the guilty plea entered by Michael Cohen, Trump's former personal attorney.

Sales of new U.S. single-family homes unexpectedly fell in July to a nine-month low. The Commerce Department announced Thursday that new home sales dropped 1.7% to a seasonally adjusted annual rate of 627,000 units last month marking the lowest level since October 2017. Sales of previously owned homes in July continued their longest downward slide in five years, as rising home prices and higher mortgage rates price more potential buyers out of the market. According to the National Association of Realtors, existing-home sales fell 0.7% in July from June to a seasonally adjusted annual rate of 5.34 million units, marking the fourth straight month of declines. Taken together, the housing market data this week might signal a cooling that could weigh on overall economic growth in the final two quarters of 2018.

Federal Reserve officials are poised to continue gradually raising interest rates but are watching for signs of widespread economic fallout from President Trump's trade policies, according to minutes from the most recent Fed meeting. The Fed minutes suggest that officials are concerned that U.S.-imposed tariffs could hurt the current economic recovery but are waiting to see evidence in the data of any damage. Fed officials are also increasingly worried that trouble is brewing in the residential construction market, based on a recent slowdown in home building. Fed policymakers left rates unchanged at their last meeting, but their discussion made it clear they are considering another rate hike soon. The Fed has raised rates twice this year and is widely expected to tighten its benchmark rate by another 0.25% in September.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Millions Annualized)	5.34	5.45	▼
New Home Sales (Thousands Annualized)	627	633	▼
Durable Goods Orders	-1.7%	-1.0%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25790.35	0.47%	4.33%	18.39%
NASDAQ	7945.98	1.66%	15.10%	26.70%
S&P 500 Large Cap	2874.69	0.86%	7.52%	17.86%
MSCI EAFE	1947.28	1.01%	-5.05%	1.45%
Barclays Aggregate US	2029.58	0.28%	-0.82%	-0.55%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.09%	2.03%	1.98%	1.01%
10-Year Treasury	2.81%	2.86%	2.95%	2.19%

REPORTS DUE NEXT WEEK	LATEST
GDP (QoQ Annualized)	4.1%
Initial Jobless Claims (Thousands)	210
Personal Income (YoY)	4.9%

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

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