



FINANCIAL MARKET UPDATE

8/31/18

THE WEEK IN REVIEW

The S&P 500 Index and NASDAQ Composite Index touched new all-time highs this week, driven by positive NAFTA trade negotiations between the U.S. and Mexico and a rally in technology stocks. The trade deal includes revised rules for autos, textiles, and digital goods. President Trump stated he is optimistic that Canada will join the new U.S. trade deal with Mexico. The U.S. dollar touched a four-week low on Tuesday as trade agreements boosted appetite for riskier assets. For the week, the NASDAQ Composite ended up 2.1% while the S&P 500 rose 0.9%. The best weekly performer in the blue-chip Dow Jones Industrial Average was iPhone-maker Apple Inc., which rallied 5.3%. Meanwhile, soft drink giant The Coca-Cola Co. declined 2.4% and was the week's worst performing Dow component following news of its \$5.1 billion acquisition of British coffee chain Costa.

U.S. GDP, the value of every good and service produced domestically, grew at a revised 4.2% annual pace in the second quarter, up from the original reading of 4.1%. The revision was driven by higher government spending and business investment and is the fastest pace of growth in roughly four years. In other strong economic news, consumer confidence continued to trend higher, reaching its highest level since the dotcom fever of October 2000, according to the Conference Board. The survey gauges American's view on current economic conditions and prospects for the next six months. Economists believe these high confidence levels should continue to fuel consumer spending in the near term. The University of Michigan Consumer Sentiment Survey also remained higher at a reading of 96.2. The report cautioned, however, that elevated sentiment levels have sometimes preceded downturns in the economy.

The July Personal Income and Outlays Report indicated continued moderate to solid income and spending growth. Compared to June, personal income rose 0.3% while consumer spending rose 0.4%. Inflation ticked slightly higher in July with the Core PCE Price Index rising to 2.0% from 1.9%, exactly at the Fed's target. Unemployment claims remain very low and stable. Unemployment claims for the week of August 25 were 213,000 compared to a five-year average of 271,000 and three-year average of 249,000. The housing sector showed some weakness for July with pending home sales decreasing 0.7% from the prior month, likely pressured by rising rates.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
GDP (Q/Q Annualized)	4.2%	2.2%	▲
Initial Jobless Claims (Thousands)	213	223	▼
Personal Income (Y/Y)	4.7%	4.6%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25964.82	0.68%	5.04%	18.30%
NASDAQ	8109.54	2.06%	17.47%	26.15%
S&P 500 Large Cap	2901.52	0.93%	8.52%	17.39%
MSCI EAFE	1976.20	0.98%	-3.64%	2.35%
Barclays Aggregate US	2025.98	-0.16%	-1.00%	-1.09%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.09%	2.09%	2.02%	0.99%
10-Year Treasury	2.86%	2.81%	2.96%	2.12%

REPORTS DUE NEXT WEEK	LATEST
ISM Non-Manufacturing	55.7
Initial Jobless Claims (Thousands)	213
Unemployment Rate	3.9%

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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