ATG TRUST COMPANY

# FINANCIAL MARKET UPDATE
10/19/18

## THE WEEK IN REVIEW

A recovery in equity markets from last week's sell-off ground to a halt with Wednesday's release of September's FOMC meeting minutes. The S&P 500's fractional losses on Friday marked the 10th time in the last 12 sessions it has finished the day negative, as investors continue to digest higher bond yields and a more hawkish Federal Reserve. A majority of Fed officials believe further gradual increases to the federal funds rate are necessary to ensure the strong economy does not overheat. Also mentioned was the possibility that interest rates would need to be raised above their anticipated neutral rate, which was believed to be set around 3.0%.

Amid a highly anticipated earnings season, Netflix Inc. saw its shares soar as much as 15% after-hours on Wednesday after reporting $4 billion in revenue but the real surprise came from an addition of nearly 7 million new subscribers compared to Wall Street's expectations of 5.2 million. Procter & Gamble Co. shares reached their highest level since January after reporting its strongest organic year-over-year sales growth in five years despite high commodity costs and foreign exchange headwinds.

Despite a thriving economy, U.S. retail sales slowed in September for a second month, thanks to a drop off in money spent at restaurants, bars and department stores, according to a report from the Commerce Department. Consumer spending, which makes up about 70% of economic activity in the United States, rose just 0.1% last month. Excluding automobiles, gasoline, building materials and food services, retail sales jumped 0.5% last month.

U.S. home sales fell for the sixth straight month in September, further signaling that the housing market has increasingly become a weak spot for the economy. The National Association of Realtors said that sales declined 3.4% last month, the biggest drop in 2.5 years, to a seasonally adjusted annual rate of 5.15 million units, marking the lowest sales pace since November 2015. Hurricane Florence dragged sales in North Carolina, but even excluding the storm's effects, sales would have fallen more than 2%. Homebuilding also dropped more than expected last month as construction activity in the South had its largest decline in nearly three years, likely held down by Hurricane Florence as well. Housing starts fell 5.3% to a seasonally adjusted annual rate of 1.201 million units in September.

| ECONOMIC INDICATOR | LATEST | 3MO PRIOR | CHANGE |
|---|---|---|---|
| Retail Sales YoY | 5.7% | 6.9% | ▼ |
| Housing Starts (Millions Annualized) | 1.201 | 1.177 | ▲ |
| JOLTS Job Openings (Millions) | 7.136 | 6.659 | ▲ |
| Existing Home Sales (Millions Annualized | 5.150 | 5.380 | ▼ |

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|---|---|---|---|---|
| DJ Industrial Average | 25444.34 | 0.41% | 2.93% | 9.85% |
| NASDAQ | 7449.03 | -0.64% | 7.90% | 12.78% |
| S&P 500 Large Cap | 2767.78 | 0.02% | 3.52% | 8.03% |
| MSCI EAFE | 1852.35 | 0.09% | -9.68% | -7.66% |
| Barclays Aggregate US | 1999.49 | -0.19% | -2.29% | -2.04% |

| KEY BOND RATES | CURRENT | 1WK AGO | 1MO AGO | 1YR AGO |
|---|---|---|---|---|
| 3-Month T-Bill | 2.30% | 2.26% | 2.16% | 1.09% |
| 10-Year Treasury | 3.19% | 3.16% | 3.06% | 2.32% |

| REPORTS DUE NEXT WEEK | LATEST |
|---|---|
| Durable Goods Orders | 4.4% |
| New Home Sales (Thousands Annualized) | 629 |
| GDP (QoQ Annualized) | 4.2% |

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