



FINANCIAL MARKET UPDATE

2/15/19

THE WEEK IN REVIEW

All three major U.S. stock indexes ended the week with positive gains. The Dow Jones Industrial Average advanced 3.1% to record its eighth consecutive week of gains, its best stretch since 2009. Stock markets have been buoyed in recent weeks by signaling from the Federal Reserve of a pause in interest rate hikes and easing trade tensions between the U.S. and China.

President Trump declared a national emergency in a bid to fund his promised wall at the U.S.-Mexico border without congressional approval. He was also expected to sign a bipartisan government spending bill Congress approved that would prevent another partial government shutdown by funding several agencies that otherwise would have closed this weekend. President Trump made no direct mention of the funding bill, but House Democrats planned to introduce legislation to block his move, which could pass both houses if it wins the votes of the half-dozen Republican senators who criticized the planned declaration.

Talks to end the trade war between the U.S. and China will continue next week after high level negotiations ended in Beijing. While the White House described “progress” in the talks, many issues remain unresolved, and the discussions will continue as both sides try to reach an agreement ahead of President Trump’s March 2 deadline. Trump has threatened to raise tariffs to 25% on \$200 billion worth of Chinese goods if a deal cannot be reached by that date, though he suggested earlier this week that he would push the deadline back if there were progress in the talks.

U.S. headline consumer prices were unchanged in January, held down by cheaper gasoline prices, which offset increases in the cost of food, rents and medical expenses. Excluding the volatile food and energy components, the year-over-year Core CPI measure rose 2.2%. The University of Michigan consumer sentiment index rose in February to 95.5, from 91.2 in January. The increase reflects a shift in consumer expectations following the end of the government shutdown and changes in interest rate expectations.

U.S. retail sales in December suffered their worst decline in nine years, according to Commerce Department data, a potential red flag for economic growth. Advance estimates of December 2018 retail and food services sales, a major driver of the U.S. economy, fell 1.2% from the previous month, to \$505.8 billion.

ECONOMIC INDICATOR	LATEST	3MO PRIOR CHANGE	
U. of Mich. Consumer Sentiment	95.5	97.5	▼
Consumer Price Index (YoY)	1.6%	2.5%	▼
Producer Price Index (YoY)	2.0%	2.9%	▼
Retail Sales (MoM)	-1.2%	-0.2%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25883.25	3.09%	10.96%	2.71%
NASDAQ	7472.41	2.39%	12.62%	2.98%
S&P 500 Large Cap	2775.60	2.50%	10.72%	1.63%
MSCI EAFE	1828.80	1.33%	6.33%	-11.17%
Barclays Aggregate US	2069.25	-0.09%	1.11%	3.42%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.42%	2.41%	2.42%	1.59%
10-Year Treasury	2.66%	2.63%	2.71%	2.91%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts (Millions Annualized)	1.256
Durable Goods Orders	0.7%
Existing Home Sales (Millions Annualized)	4.99

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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