

## THE WEEK IN REVIEW

The beginning of the fourth quarter arrived with a risk-off tone, as several major U.S. equity averages moved lower this week, led by the Dow Jones Industrial Average's 0.9% decline. The blue chip index's weekly loss erased its third quarter price gain of 1.2%, while the S&P 500 recorded its third consecutive weekly decline. Market sentiment shifted on Tuesday morning, as a report from ISM indicated U.S. manufacturing activity further slipped into contractionary territory in September. The new export orders component of the index fell to its lowest level since March 2009. Cyclical areas of the equity market came under the most pressure this week, as the S&P 500's materials, industrials, financial and energy sectors all fell by at least 2.2%. Taking their cue from the weak manufacturing data, bond markets staged a sharp reversal from their September trend of higher yields. The yield on the benchmark 10-year U.S. Treasury note fell from 1.75% early Tuesday morning to 1.53% by the end of the week.

The September non-farm payrolls report was weaker than expected, as U.S. employers hired 136,000 workers compared to the consensus estimate of 145,000. The report was not completely disappointing, however, as the unemployment rate declined from 3.7% to 3.5%, marking its lowest level since 1969. Meanwhile, there were positive revisions of 45,000 jobs to the prior two months; the change in total nonfarm payroll employment for July was revised up 7,000 from 159,000 to 166,000, and August was revised up 38,000 from 130,000 to 168,000. After these revisions, the average monthly gain thus far in 2019 is 161,000 compared to an average monthly gain of 223,000 in 2018. September's job growth undershot the 2018 and 2019 average monthly gains by 87,000 and 25,000, respectively. This suggests a moderate slowdown in hiring across the domestic labor market is underway. In September, average hourly earnings for U.S. workers dipped slightly to \$28.09 from \$28.10, pushing down the year-over-year gain in wages to 2.9% compared to an average of 3.2% in the first eight months of 2019. Following the release of the September jobs report, fed funds futures markets' implied probability of another 0.25% rate cut at the Fed's October 30 meeting declined to 75% from 85% a day earlier.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-farm Payrolls (Thousands)	136,000	178,000	▼
ISM Manufacturing	47.8	51.7	▼
Average Hourly Earnings (YoY)	2.90%	3.20%	▼
Unemployment Rate	3.50%	3.70%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	26573.72	-0.92%	13.92%	-0.20%
NASDAQ	7982.47	0.54%	20.30%	1.31%
S&P 500	2952.01	-0.33%	17.76%	1.74%
MSCI EAFE	1846.42	-2.60%	7.36%	-4.90%
Bbg Barclays Aggregate US	2235.38	0.69%	9.22%	11.86%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.69%	1.94%	2.21%
10-Year Treasury	1.53%	1.47%	3.19%

REPORTS DUE NEXT WEEK	LATEST
Consumer Price Index (YoY)	1.7%
U. of Mich. Consumer Sentiment	93.2
Consumer Credit (\$ billion)	23.294

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