

THE WEEK IN REVIEW

U.S. equity markets ended an eventful week on a higher note driven primarily by positive trade news and unchanged monetary policy rates from the Federal Reserve and the European Central Bank. The S&P 500 climbed 1.1% for the week to extend the index's year-to-date gains to 26.4%.

U.S. and Chinese officials announced a limited preliminary agreement to halt the trade war, with President Trump removing the threat of new tariffs and Beijing agreeing to new economic rules and increased purchases of American farm goods. Under "phase one" of the agreement, Trump said that a 25% tariff that the U.S. placed on \$250 billion of Chinese products will remain in effect, but the 15% tariff put on \$120 billion of products will be cut in half to 7.5%. Reports indicate that a round of tariffs scheduled for Sunday will be delayed and talks for a second phase of negotiations will begin immediately. China confirmed that the agreement includes a commitment to buy more American agriculture products, strengthen laws protecting foreign companies operating in China and enhance intellectual property rules.

Top officials from Canada, Mexico and the U.S. signed an overhauled trade pact that aims to improve enforcement of worker rights and hold down drug prices by eliminating a patent provision. The signing launched what may be the final approval effort for President Trump's quest to revamp the North American Free Trade Agreement (NAFTA).

The Federal Reserve held interest rates steady in a target range of 1.50% - 1.75% following its two-day meeting this week and indicated no action is likely next year amid persistently low inflation. In its statement explaining the decision, the committee indicated monetary policy is likely to stay where it is for an unspecified time, though officials will continue to monitor conditions as they develop. The decision to keep rates unchanged was unanimous, following several dissents in recent meetings.

On the consumer side of the economy, U.S. retail sales grew in November at a weaker-than-expected 0.2% pace compared to economists' consensus estimate of 0.5%. The lackluster report may be due to a late Thanksgiving that reduced the holiday-shopping season by six days compared to 2018 and pushed Cyber Monday into December. The sharpest decline came from discretionary spending, including clothes, electronics and sporting goods. Volatile gas prices drove underlying consumer prices (CPI) to 0.3% in November, and above consensus expectations of 0.2%. Inflation ticked up to 2.1% on a year-over-year basis from 1.8% the month before.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Consumer Price Index (YoY)	2.1%	1.7%	▲
Producer Price Index (YoY)	1.1%	1.8%	▼
NFIB Small Business Optimism	104.7	103.1	▲
Retail Sales (YoY)	3.3%	4.4%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	28135.38	0.43%	20.61%	14.38%
NASDAQ	8734.88	0.91%	31.64%	23.54%
S&P 500	3170.44	0.78%	26.47%	19.61%
MSCI EAFE	1989.97	0.42%	15.70%	12.21%
Bbg Barclays Aggregate US	2218.10	-0.16%	8.38%	9.50%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.56%	1.56%	2.41%
10-Year Treasury	1.82%	1.89%	2.91%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Millions Annualized)	5.460
Housing Starts (Millions Annualized)	1.314
JOLTS Job Openings (Millions)	7.024
Leading Economic Indicators (YoY)	0.3%
Core PCE Price Index (YoY)	1.6%

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