ATG TRUST COMPANY

FINANCIAL MARKET UPDATE
10/26/18

THE WEEK IN REVIEW

U.S. stocks suffered another leg down in their October selloff this week, setting up this month to be one of the worst for the major indexes in years. Equities have been dragged down due to a number of factors in recent weeks including: fears the U.S. Federal Reserve's rate-hiking campaign is moving too quickly, adverse tariff-related impacts on U.S. earnings, concerns over growth trends in China and Europe, and disappointing quarterly reports from market bellwethers like Amazon, Alphabet, and Caterpillar. The S&P 500 fell 3.9% while the tech heavy NASDAQ retreated by 3.8%.

While 2017 was characterized by an unprecedented lack of volatility, that paradigm seems to have changed in 2018. The CBOE Volatility Index (VIX) climbed nearly 25.0% this week to close at 24.2. Thus far in 2018, the average VIX closing level is 15.5 compared to 11.1 for all of 2017. Investors also digested reports that the U.S. is refusing further trade negotiations with China until there is a legitimate proposal addressing forced technology transfers. This appeared to help a bid for safe-haven assets this week including gold and U.S. Treasury bonds.

In more positive news, significant consumer and government spending boosted economic growth in the third quarter. Domestic GDP grew at a seasonally adjusted annualized rate of 3.5%, above the 3.3% estimate. Consumer spending increased at a 4.0% annual clip, the strongest growth rate in roughly four years. The housing sector continued to drag on growth as residential fixed investment fell by 4.0%. New home sales continued their downtrend in September with 553,000 reported new home sales, down 5.5% from the prior month's 629,000. Higher short-term rates and a lack of supply could continue to hurt the housing market. The University of Michigan's consumer sentiment index continued to report strength through October. The index reported a reading 98.6, slightly below the September reading of 99.0. Durable goods orders increased 0.8% in September, better than the consensus expected decline of 1.5%. The gain came mostly from defense aircraft. Excluding transportation equipment, orders increased only 0.1%. Core capital goods orders were weak in the report, declining 0.1%. The data suggests a possible flattening in business investment. Unfilled orders rose 0.8% for September, likely influenced by tariff-related activity. Inventories also rose 0.7% in September. The overall report suggests the manufacturing sector may be struggling to accelerate.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
GDP (QoQ Annualized)	3.5%	4.2%	▼
Durable Goods Orders	0.80%	0.90%	▼
New Home Sales (Thousands Annual)	553	612	▼
Consumer Sentiment	98.6	97.9	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24688.31	-2.97%	-0.13%	5.50%
NASDAQ	7167.21	-3.78%	3.82%	9.31%
S&P 500 Large Cap	2658.69	-3.94%	-0.56%	3.84%
MSCI EAFE	1784.14	-3.53%	-13.00%	-10.44%
Barclays Aggregate US	2001.92	0.30%	-2.17%	-1.41%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.32%	2.30%	2.19%	1.10%
10-Year Treasury	3.08%	3.19%	3.05%	2.46%

REPORTS DUE NEXT WEEK	LATEST
PMI Manufacturing Index	55.6
Jobless Claims (Thousands)	215
Nonfarm Payrolls (MoM Thousands Annual)	134

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