

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

MAY 4, 2018

Market Commentary

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As expected, the Federal Open Market Committee left the federal funds target range unchanged (at 1.50-1.75%). There were a number of minor changes in the wording of the policy statement, but nothing unexpected (core inflation “*moved close to 2 percent*”). The FOMC repeated that it “*expects that economic conditions will evolve in a manner that will warrant further gradual increases in the federal funds rate.*” The federal funds futures market is pricing in about a 95% chance of a June 13 rate hike.

The April Employment Report was mixed. Nonfarm payrolls rose by 164,000 in the initial estimate (median forecast: +195,000), while February and March were revised a net +30,000 (making it about a wash relative to expectations). Private-sector payrolls averaged a 208,000 gain over the last three months (vs. +180,000 for 2017). The unemployment rate fell to 3.9%, following six straight months of 4.1% (which had seemed odd given the strong pace of growth in nonfarm payrolls). Labor force participation and the employment/population ratio edged down, both little changed over the last 12 months (which is actually a sign of strength in the labor market, since demographic changes imply a downtrend in participation). Average hourly earnings rose 0.1% (+0.149% before rounding), following +0.2% in March (revised from +0.3%) – up 2.6% y/y (the three-month average was also up 2.6% y/y for both private-sector and nonsupervisory workers). The ISM surveys for April showed some moderation. Comments from supply managers remained upbeat, but there were increasing concerns about tariffs and supply constraints.

Stock market volatility continued amid shifting expectations on Federal Reserve policy and the administration’s trade policies.

Next week, the economic calendar includes the monthly inflation report. While financial market participants may focus more on the CPI, the PPI has been showing increasing pipeline pressures over the last several months – and that’s what gets the Fed’s attention (along with tighter labor market

conditions).

Indices

	Last	Last Week	YTD return %
DJIA	23930.15	24332.34	-3.19%
NASDAQ	7088.15	7118.68	2.68%
S&P 500	2629.73	2666.94	-1.64%
MSCI EAFE	2026.73	2036.38	-1.17%
Russell 2000	1546.56	1557.90	0.72%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.75	4.00
Fed Funds	1.68	0.91
30-year mortgage	4.62	4.10

Currencies

	Last	1 year ago
Dollars per British Pound	1.358	1.292
Dollars per Euro	1.199	1.099
Japanese Yen per Dollar	109.19	112.46
Canadian Dollars per Dollar	1.285	1.375
Mexican Peso per Dollar	19.061	19.049

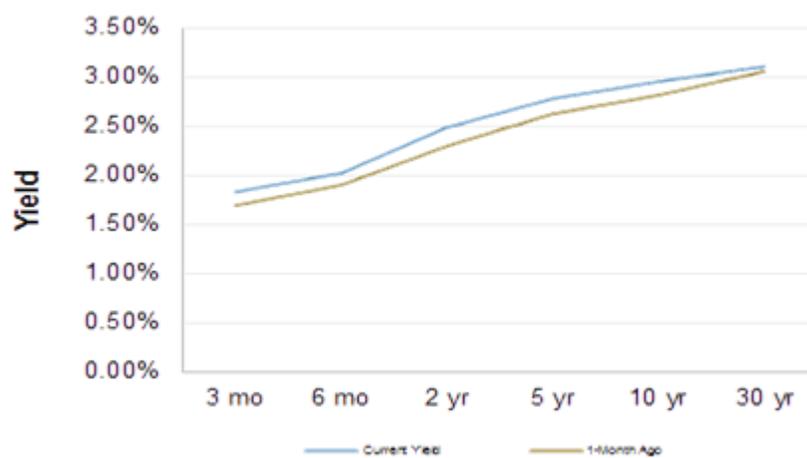
Commodities

	Last	1 year ago
Crude Oil	68.43	45.52
Gold	1312.70	1228.60

Bond Rates

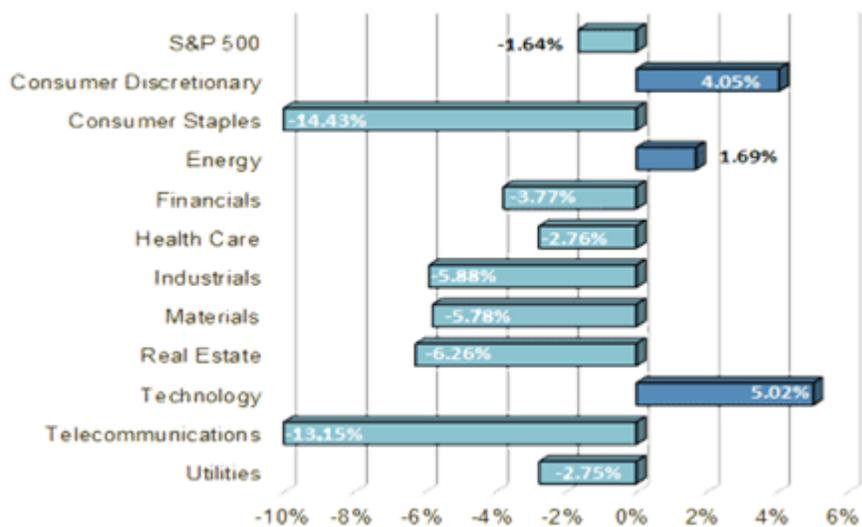
	Last	1 month ago
2-year treasury	2.48	2.29
10-year treasury	2.94	2.81
10-year municipal (TEY)	3.82	3.82

Treasury Yield Curve – 05/04/2018



As of close of business 05/03/2018

S&P Sector Performance (YTD) – 05/04/2018



As of close of business 05/03/2018

Economic Calendar

- | | | |
|---------------|---|--|
| May 8 | — | Small Business Optimism Index (April) |
| May 9 | — | Producer Price Index (April) |
| May 10 | — | Jobless Claims (week ending May 5) |
| | — | Consumer Price Index (April) |
| | — | Import Prices (April) |
| May 15 | — | Retail Sales (April) |
| May 16 | — | Building Permits, Housing Starts (April) |
| | — | Industrial Production (April) |
| May 28 | — | Memorial Day Holiday (Markets closed) |

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The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. An investment cannot be made directly in these indexes. The performance noted does not include fees or charges, which would reduce an investor's returns. U.S. government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

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