

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

APRIL 13, 2018

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

The economic data reports took second stage to shifting views on trade policy and the conflict in Syria. China's President Xi Jinping gave a speech that was virtually the same as the one he gave in Davos a few months ago, but the markets took it as "conciliatory" (wishful thinking?). Emboldened, President Trump indicated an even tougher stance against China, but he also suggested that he might be down with TPP (that is, negotiating a U.S. entrance to multilateral agreement). Trump also threatened to respond militarily to gas attacks in Syria, but later tweeted that he didn't signal any timing (or whether they would happen at all).

The Consumer Price Index (CPI) rose a bit less than expected, reflecting lower gasoline prices (mostly due to the seasonal adjustment). Core inflation rose a little more than expected, partly reflecting higher shelter costs. The CPI rose 2.4% year-over-year (vs. +2.2% y/y in February), as the 7.0% March 2017 drop in wireless telecom rolled off of the 12-month calculation. Ex-food and energy, the CPI rose 2.1% y/y (vs. +1.8% y/y in February). The Producer Price Index showed a continued buildup in inflationary pressure. Import prices showed further increases in prices of raw materials but little inflation in finished goods (following gains in January and February).

The FOMC minutes from the March 20-21 policy meeting showed that several officials thought it might be appropriate to push the federal funds rate above the neutral level for a while (that is, hitting the brakes somewhat more than anticipated). The Congressional Budget Office's latest update showed the federal budget deficit rising to \$804 billion (4.0% of GDP) in FY18 and \$980 billion (4.6% of GDP) in FY19.

Next week, of the mid-month economic releases, the retail sales report has some potential to move the financial markets. Trade policy and Syria will remain near-term wildcards. The stock market is expected to focus on earnings results. This follows an

unusual pre-earnings season. Normally expectations are talked down and then actual earnings generally surprise to the upside. This time, earnings expectations have not come down. Hence, the bar is set high, leaving the market with some potential downside risk.

Indices

	Last	Last Week	YTD return %
DJIA	24483.05	24505.22	-0.96%
NASDAQ	7140.25	7076.55	3.43%
S&P 500	2663.99	2662.84	-0.36%
MSCI EAFE	2037.43	2014.20	-0.65%
Russell 2000	1557.33	1542.93	1.42%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.75	4.00
Fed Funds	1.68	0.90
30-year mortgage	4.49	4.05

Currencies

	Last	1 year ago
Dollars per British Pound	1.423	1.254
Dollars per Euro	1.233	1.067
Japanese Yen per Dollar	107.33	119.09
Canadian Dollars per Dollar	1.259	1.325

Mexican Peso per Dollar	18.189	18.551
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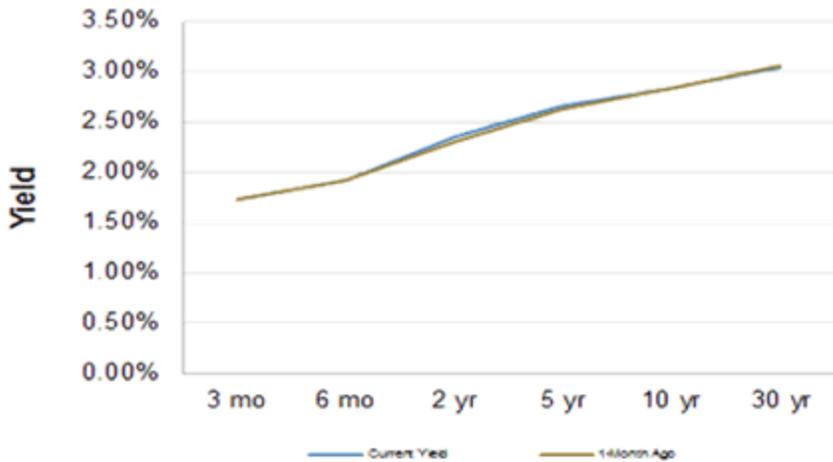
Commodities

	Last	1 year ago
Crude Oil	67.07	53.18
Gold	1341.90	1278.10

Bond Rates

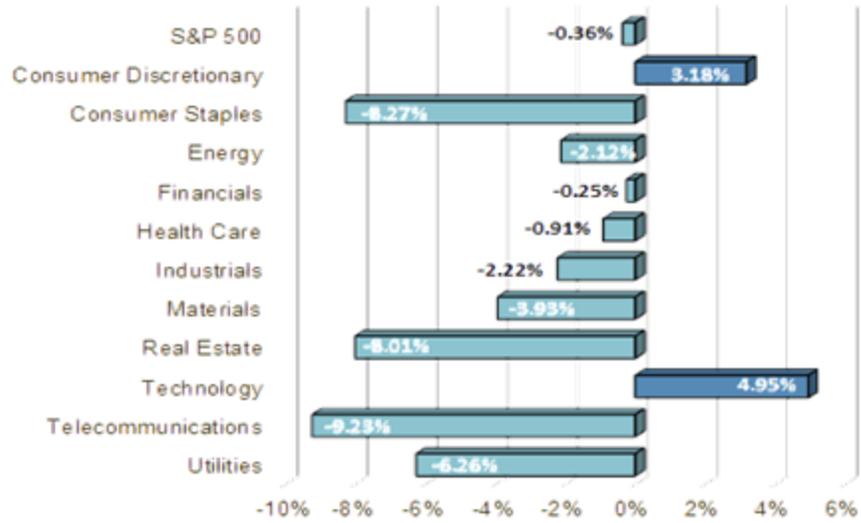
	Last	1 month ago
2-year treasury	2.34	2.29
10-year treasury	2.82	2.82
10-year municipal (TEY)	3.74	3.86

Treasury Yield Curve – 04/13/2018



As of close of business 04/12/2018

S&P Sector Performance (YTD) – 04/13/2018



As of close of business 04/12/2018

Economic Calendar

- April 16** — Retail Sales (March)
- Homebuilder Sentiment (April)
- April 17** — Building Permits, Housing Starts (March)
- IMF World Economic Outlook (update)
- Industrial Production (March)
- April 18** — Bank of Canada Policy Decision
- Fed Beige Book
- April 19** — Jobless Claims (week ending April 14)

	—	Leading Economic Indicators (March)
April 24	—	CB Consumer Confidence Index (April)
April 26	—	Durable Goods Orders (March)
April 27	—	Real GDP (1Q18, advance estimate)
May 2	—	FOMC Policy Decision (no press conference)
May 4	—	Employment Report (April)
June 13	—	FOMC Policy Decision (Powell press conference)

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