

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

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Market Commentary

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Two key issues rattled stock market investors: trade policy and the yield curve. The weekend meeting between President Trump and Chinese President Xi Jinping was followed by brief optimism, centered on a 90-day moratorium on further tariff increases. However, that soon gave way to pessimism as it became unclear what the two sides had agreed on. President Trump tweeted that he was “Tariff Man.”

The slope of the yield curve (the difference between long- and short-term interest rates) is the single best indicator of recession. A flat curve, which is what we are seeing now, is consistent with increased economic uncertainty and slower growth. An inverted curve is a strong signal of a recession, but it may be a year or more before the downturn comes to pass. Importantly, the key question is why the curve is inverting. The Fed has been raising short-term interest rates. There are a number of reasons why long-term interest rates have remained moderate, including the fact that the stock market has weakened.

Nonfarm payrolls rose somewhat less than expected (+155,000, vs. a median forecast of +200,000, still well within the normal range of uncertainty in the data). The three-month average for the private sector slowed relative to the first half of the year, but remained moderately strong. Average hourly earnings rose a little less than anticipated, but the trend is higher. The unemployment rate held steady at 3.7%.

Next week, investors can be expected to react to any news on trade policy, but there will be some important economic data releases as we head toward the Fed’s mid-December policy meeting. The Producer Price Index is likely to reflect lower prices of food and energy, while the core rate should remain moderate. Pipeline inflation pressure rose in the first half of the year and has moderated in the second half, but watch for signs that the impact of tariffs is feeding through more broadly. The Consumer Price Index will be restrained by the drop in gasoline prices (which normally decline in November, but a lot more this year). Core inflation is expected to be moderate. Retail sales results are also expected to reflect the impact of lower gasoline prices, but core sales should be moderate (with some chance of an upside surprise).

Indices

	Last	Last Week	YTD return %
DJIA	24947.67	25338.84	0.92%
NASDAQ	7188.26	7273.08	4.13%
S&P 500	2695.95	2737.76	0.84%
MSCI EAFE	1758.35	1819.81	-14.26%
Russell 2000	1477.41	1525.39	-3.78%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.25	4.25
Fed Funds	2.20	1.16
30-year mortgage	4.73	3.97

Currencies

	Last	1 year ago
Dollars per British Pound	1.278	1.347
Dollars per Euro	1.137	1.177
Japanese Yen per Dollar	112.68	113.09
Canadian Dollars per Dollar	1.338	1.285
Mexican Peso per Dollar	20.352	18.969

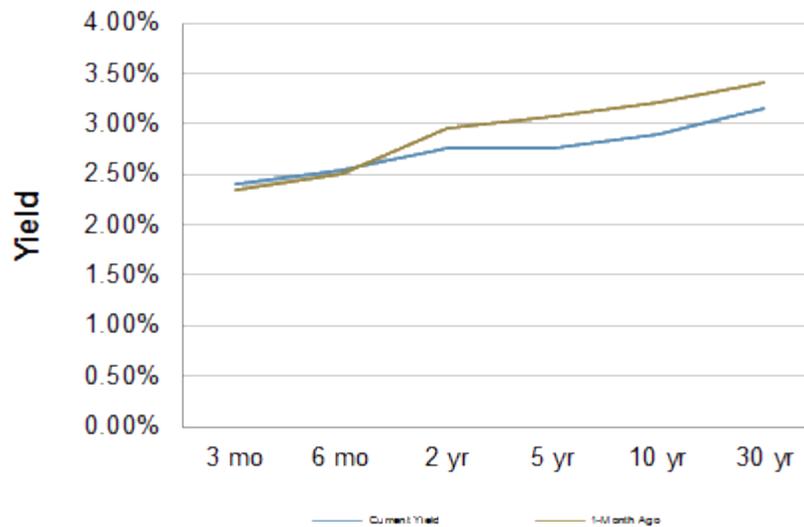
Commodities

	Last	1 year ago
Crude Oil	51.75	56.69
Gold	1243.60	1253.10

Bond Rates

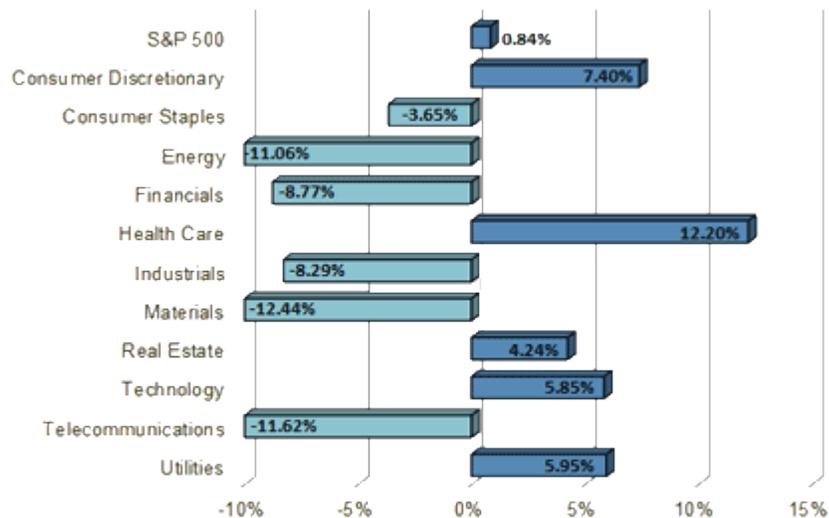
	Last	1 month ago
2-year treasury	2.76	2.95
10-year treasury	2.89	3.21
10-year municipal (TEY)	3.72	4.29

Treasury Yield Curve – 12/07/2018



As of close of business 12/06/2018

S&P Sector Performance (YTD) – 11/07/2018



As of close of business 12/06/2018

Economic Calendar

December 12	—	Consumer Price Index (November)
December 14	—	Retail Sales (November)
	—	Industrial Production (November)
December 19	—	FOMC Policy Decision (Powell press conference)
December 25	—	Christmas (market closed)
January 4	—	Employment Report (December)
January 30	—	FOMC Policy Decision (Powell press conference)
March 20	—	FOMC Policy Decision (Powell press conference)

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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.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business December 6, 2018.