

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JULY 6, 2018

Market Commentary

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

The economic data reports were generally on the strong side of expectations. The June ISM surveys both exceeded expectations, with a further strengthening of new orders and production. However, both reports also showed that supply managers were increasingly concerned about the impact of tariffs, rising input costs and difficulties in shipping goods by truck. The June Employment Report was a mixed bag, but seemingly in the sweet spot for investors – reflecting strong growth in nonfarm payrolls (+213,000), an uptick in the unemployment rate (to 4.0% from 3.8%) and moderate wage inflation (+0.2% m/m and +2.7% y/y).

The trade war is officially underway, as the Trump administration imposed tariffs on \$34 billion in Chinese goods (which is expected to be followed in a few weeks by increased tariffs on a further \$16 billion of Chinese goods). China has indicated that it will retaliate with increased tariffs on \$34 billion in U.S. exports, and the White House has indicated that it will retaliate against China's retaliation with additional tariffs on another \$200 billion in Chinese goods. While trade tensions have had significant impact on some industries already, the overall effect on the economy has been small. However, the risks are expected to rise as trade disputes escalate. Financial market participants have generally remained complacent (expecting trade issues to be settled at some point with only minor disruptions).

Next week, the economic data are not expected to be market-moving. Trade policy is likely to remain an ongoing concern. Consumer price inflation is expected to have risen moderately in June, but enough for the year-over-year gain to edge a bit higher. The PPI

and import price figures are likely to reflect a further pickup in pipeline inflation pressures.

Indices

	Last	Last Week	YTD return %
DJIA	24356.74	24216.05	-1.47%
NASDAQ	7586.43	7503.68	9.89%
S&P 500	2736.61	2716.31	2.36%
MSCI EAFE	1954.39	1938.95	-4.70%
Russell 2000	1679.48	1645.02	9.38%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.00	4.25
Fed Funds	1.90	1.16
30-year mortgage	4.69	4.13

Currencies

	Last	1 year ago
Dollars per British Pound	1.322	1.297
Dollars per Euro	1.169	1.142
Japanese Yen per Dollar	110.64	113.22
Canadian Dollars per Dollar	1.313	1.298
Mexican Peso per Dollar	19.212	18.258

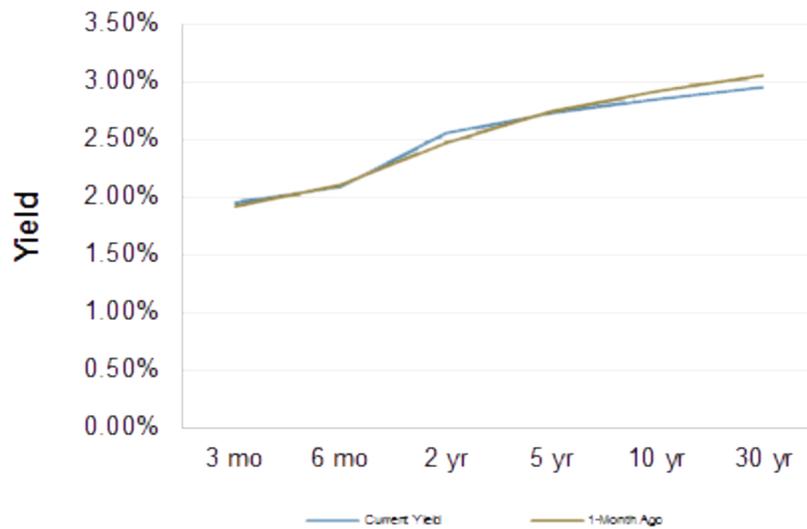
Commodities

	Last	1 year ago
Crude Oil	72.94	45.52
Gold	1258.80	1223.30

Bond Rates

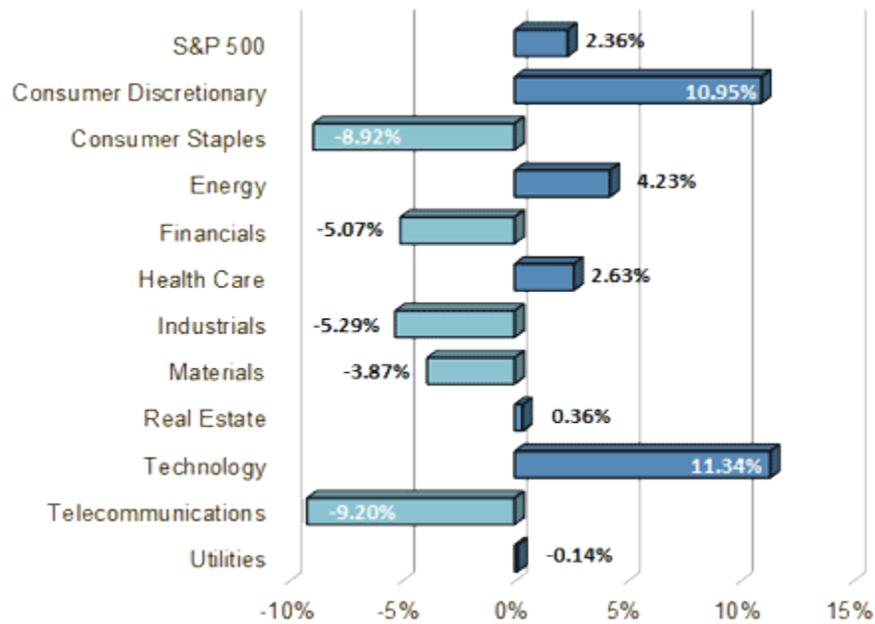
	Last	1 month ago
2-year treasury	2.55	2.47
10-year treasury	2.84	2.91
10-year municipal (TEY)	3.80	3.78

Treasury Yield Curve – 07/06/2018



As of close of business 07/05/2018

S&P Sector Performance (YTD) – 07/06/2018



As of close of business 07/05/2018

Economic Calendar

- July 10** — Small Business Optimism (June)

- July 11** — Producer Price Index (June)

- July 12** — Initial Jobless Claims (week ending July 7)
— Consumer Price Index (June)

- July 13** — Import Price Index (June)

- July 16** — Retail Sales (June)

- July 17** — Industrial Production (June)

- Powell Monetary Policy Testimony (tentative)

- July 18** — Building Permits, Housing Starts (June)

- Fed Beige Book

- July 27** — Real GDP (advance 2Q18 + comprehensive benchmark revisions)

- August 1** — Fed Policy Decision (no press conference)

- August 3** — Employment Report

- September 26** — Fed 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 July 6, 2018.

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