

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JULY 20, 2018

Market Commentary

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Retail sales rose as expected in June, but May figures were revised higher – consistent with a pickup in consumer spending growth in 2Q18. Industrial production rose as expected in June, reflecting a rebound from a fire at an auto parts supplier in May. However, ex-autos, manufacturing output was at a relatively lackluster trend in the first two quarters of this year. Housing starts sank unexpectedly in June, but these figures are reported with a gigantic amount of statistical uncertainty. Single-family permits (reported much more accurately) improved (up 6.7% y/y for 2Q18). The Fed’s Beige Book reported that “manufacturers in all districts expressed concern about tariffs and in many districts reported higher prices and supply disruptions that they attributed to the new trade policies.” The IMF remained optimistic about global growth in its revised World Economic Outlook, but cautioned that the U.S.’s announced and anticipated tariff increases have helped shift the balance of risks to the downside.

President Donald Trump criticized Fed policy in a CNBC interview, a rare (but not entirely unprecedented) presidential faux pas. The White House attempted to walk that back (“the president respects the independence of the Fed”), but Trump doubled down against the Fed the next morning.

Next week, the focus is likely to be on the advance GDP report for 2Q18. Consumer spending growth is expected to have picked up (following a soft 1Q18) and a narrower trade deficit should add significantly to overall growth. There is always uncertainty heading into the advance estimate, but more so this time. Each July, the government releases benchmark revisions to the GDP data for the previous five years. However, this will be a comprehensive revision, incorporating changes to the methodology (especially to the seasonal adjustment) and the complete history is subject to revision. There may be some confusion in how the report is interpreted. One should focus on the average GDP growth for the first and second quarter together, consumer spending, and business fixed investment.

Indices

	Last	Last Week	YTD return %
DJIA	25064.5	24924.89	1.4%
NASDAQ	7825.30	7823.92	13.35%
S&P 500	2804.49	2798.29	4.90%
MSCI EAFE	1970.94	1966.12	-3.89%
Russell 2000	1701.31	1690.28	10.80%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.00	4.25
Fed Funds	1.90	1.16
30-year mortgage	4.64	4.03

Currencies

	Last	1 year ago
Dollars per British Pound	1.301	1.297
Dollars per Euro	1.164	1.163
Japanese Yen per Dollar	112.47	111.91
Canadian Dollars per Dollar	1.327	1.259
Mexican Peso per Dollar	19.051	17.486

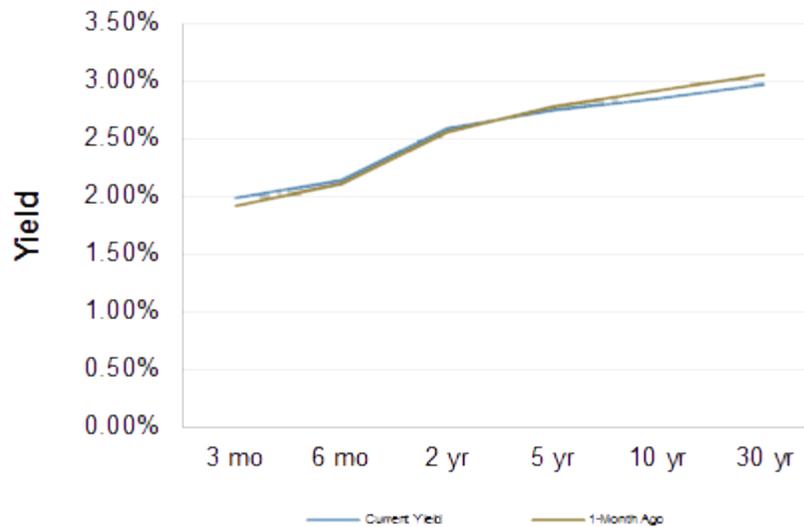
Commodities

	Last	1 year ago
Crude Oil	69.46	47.12
Gold	1224.00	1261.00

Bond Rates

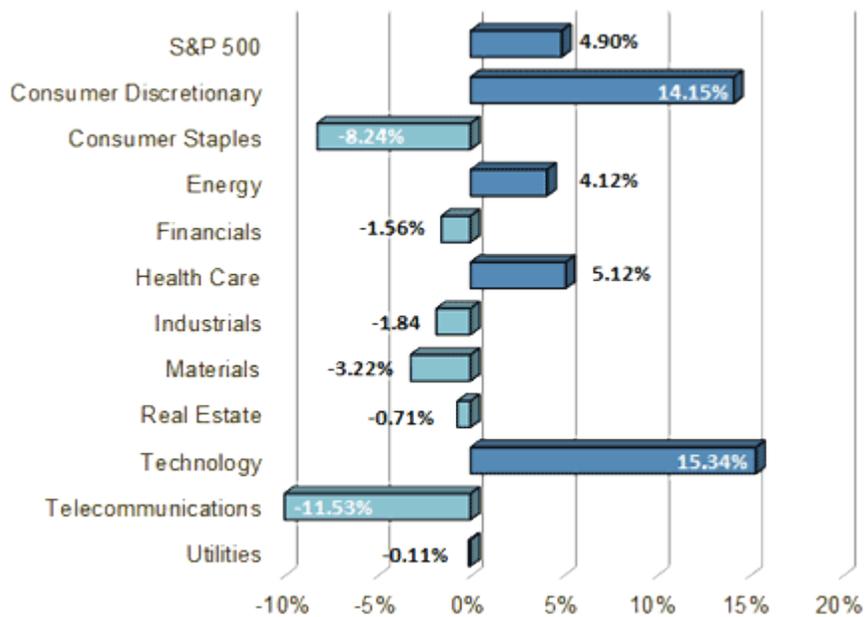
	Last	1 month ago
2-year treasury	2.59	2.55
10-year treasury	2.85	2.92
10-year municipal (TEY)	3.75	3.80

Treasury Yield Curve – 07/20/2018



As of close of business 07/19/2018

S&P Sector Performance (YTD) – 07/20/2018



As of close of business 07/19/2018

Economic Calendar

- July 23** — Existing Home Sales (June)

- July 25** — New Home Sales (June)

- July 26** — Jobless Claims (week ending July 14)

- Durable Goods Orders (June)

- Advance Economic Indicators (June)

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

revisions)

- UM Consumer Sentiment (July)

- July 31** — Employment Cost Index (2Q18)

- Personal Income and Spending (June)

- CB Consumer Confidence (July)

- August 1** — ISM Manufacturing Index (July)

- 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 19, 2018.

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