

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

AUGUST 3, 2018

Market Commentary

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

The July Employment Report was mixed. Nonfarm payrolls (reported accurate to $\pm 115,000$) rose by 157,000 in the initial estimate, lower than the median forecast of 190,000, but figures for May and June were revised a net 59,000 higher. Private-sector payrolls averaged a 221,000 gain over the last three months, about the same as in the first five months of the year. Unadjusted payrolls fell by 1.156 million (vs. -1.092 million a year ago and -974,000 in July 2016), reflecting the end of the school year. The unemployment rate (reported accurate to $\pm 0.2\%$) edged down to 3.9% (vs. 4.0% in June and 3.8% in May). Labor force participation was flat (which, given the aging population, is a sign of strength in the labor market). Average hourly earnings rose 0.3%, leaving the three-month average up 2.7% year-over-year.

Trade policy anxiety continued. Investors were encouraged by rumors that China was willing to negotiate on trade. However, U.S. Trade Representative Robert Lighthizer stated that the president asked him to consider raising tariffs on \$200 billion in Chinese goods by 25% (vs. 10% in the earlier request). China indicated it would retaliate, raising tariffs on most U.S. goods.

Next week, the July inflation figures arrive at the end of the week. The Consumer Price Index (CPI) is expected to have risen moderately. The Producer Price Index (PPI) may show a little pressure in gasoline prices, which should dip in August. Pipeline inflationary pressures in the PPI report are expected to remain elevated. However, there has been no sign that higher prices in goods at the wholesale level are generally feeding through to higher prices at the consumer level. Most of the CPI is services, partly reflecting wage pressures and partly reflecting rents.

[Indices](#)

	Last	Last Week	YTD return %
DJIA	25326.16	25527.07	2.46%
NASDAQ	7802.68	7852.18	13.03%
S&P 500	2827.22	2837.44	5.75%
MSCI EAFE	1976.62	2002.30	-3.62%
Russell 2000	1682.10	1695.36	9.55%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.00	4.25
Fed Funds	1.90	1.16
30-year mortgage	4.72	3.98

Currencies

	Last	1 year ago
Dollars per British Pound	1.302	1.314
Dollars per Euro	1.159	1.187
Japanese Yen per Dollar	111.66	110.05
Canadian Dollars per Dollar	1.301	1.259
Mexican Peso per Dollar	18.642	17.842

Commodities

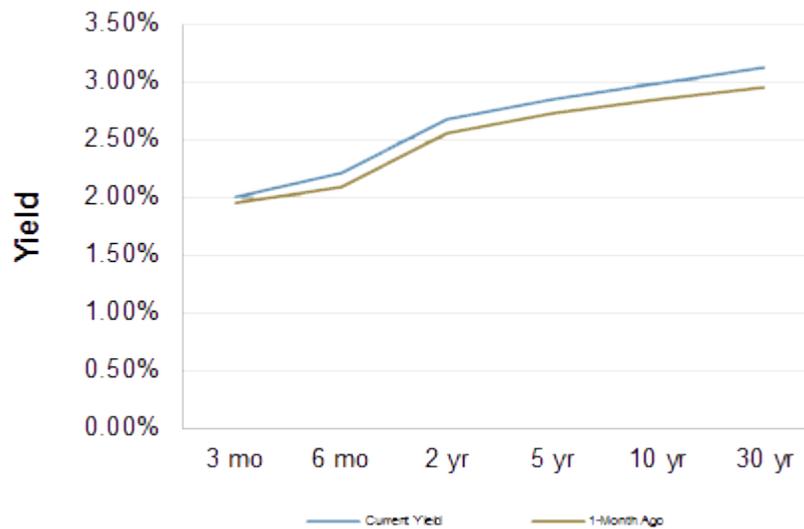
	Last	1 year ago
--	------	------------

Crude Oil	68.96	49.03
Gold	1220.10	1274.40

Bond Rates

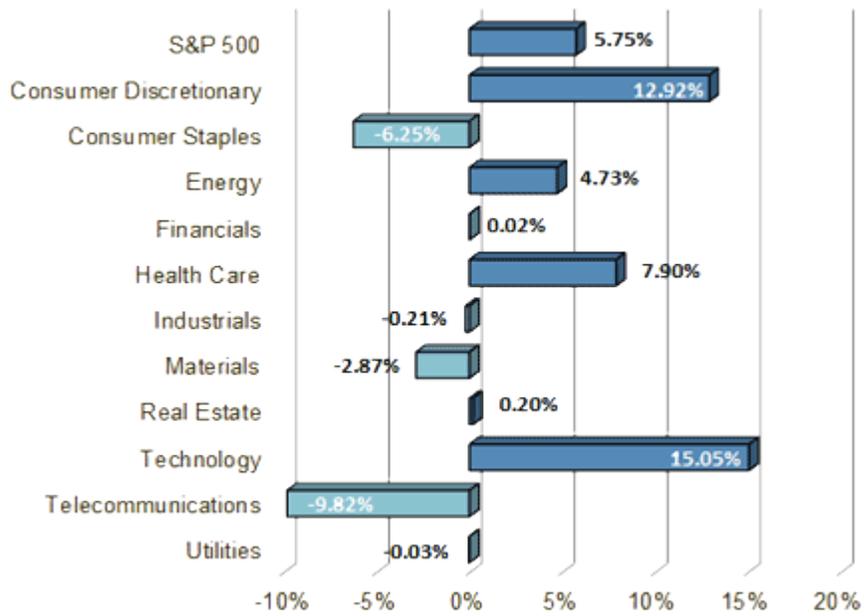
	Last	1 month ago
2-year treasury	2.67	2.55
10-year treasury	2.99	2.84
10-year municipal (TEY)	3.86	3.80

Treasury Yield Curve – 08/03/2018



As of close of business 08/02/2018

S&P Sector Performance (YTD) – 08/03/2018



As of close of business 08/02/2018

Economic Calendar

- | | | |
|------------------|---|---|
| August 9 | — | Jobless Claims (week ending August 4) |
| | — | Producer Price Index (July) |
| August 10 | — | Consumer Price Index (July) |
| August 15 | — | Retail Sales (July) |
| | — | Industrial Production (July) |
| August 16 | — | Building Permits, Housing Starts (July) |
| August 17 | — | Leading Economic Indicators (July) |
| | — | UM Consumer Sentiment (mid-August) |

August 22	—	Existing Home Sales (July)
	—	FOMC Minutes (August 1)
August 23	—	New Home Sales (July)
	—	KC Fed Monetary Policy Symposium (Jackson Hole)
August 24	—	Durable Goods Orders (July)
August 29	—	Real GDP (2Q18, 2nd estimate)
September 3	—	Labor Day (markets closed)
September 26	—	Fed Policy Decision (Powell press conference)

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc. and are subject to change. There is no assurance any of the forecasts mentioned will occur or that any trends mentioned will continue in the future. Investing involves risks including the possible loss of capital. Past performance is not a guarantee of future results. International investing is subject to additional risks such as currency fluctuations, different financial accounting standards by country, and possible political and economic risks, which may be greater in emerging markets. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, and state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Taxable Equivalent Yield (TEY) assumes a 35% tax rate.

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 August 2, 2018.