RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

OCTOBER 5, 2018

Market Commentary
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The week began with a trade agreement between the U.S., Canada and Mexico. The agreement, which must still be approved by Congress, calls for greater North American content in auto imports and specifies a higher percentage of auto production required to come from higher-wage areas (which may force some production overseas due to higher costs). It increases U.S. access to the Canadian dairy market by an additional 0.35% (to 3.60% from 3.25%). The agreement does not resolve the conflict surrounding U.S. tariffs on steel and aluminum (and the retaliation of Canada and Mexico to those tariffs). While not much different from NAFTA, the agreement is largely the absence of a negative for the markets. That is, blowing up NAFTA would have been detrimental to the economies of the three countries.

The Employment Report was mixed. Payrolls rose less than expected in September (up 134,000, vs. a median forecast of +185,000 and with general expectations of an upside surprise), but July and August were revised a net +87,000. The unemployment rate fell to 3.7% – the lowest since 1969 – with the rate for prime-age workers (25-54) down to 3.0%. Average hourly earnings rose 0.3%, a bit more than anticipated, but with a downward revision to August, leaving the year-over-year trend at 2.8%. Hurricane Florence may have had some impact on the numbers and there's often noise in the data around the start of the school year, but the details remained consistent with a further gradual pace of Fed rate increases.

Bond yields rose. Strong economic growth, tighter Fed policy, and sharply increased government borrowing would normally put upward pressure on bond yields, but lower long-term interest rates abroad have (until recently) restrained them.

Next week, the economic data calendar thins out somewhat. Inflation is likely to remain moderate in the September reports (gasoline prices edged up, roughly in line with the seasonal adjustment). The IMF's updated World Economic Outlook is likely to note concerns about the impact of Fed rate increases and trade policy disruptions. The bond market will be off on Monday.

Indices

	Last	Last Week	YTD return %
DJIA	26627.48	26439.93	7.72%
NASDAQ	7879.51	8041.97	14.14%
S&P 500	2901.61	2914.00	8.53%
MSCI EAFE	1941.64	1985.90	-5.32%
Russell 2000	1646.91	1690.53	7.25%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.25	4.25
Fed Funds	2.17	1.16
30-year mortgage	4.94	3.98

Currencies

	Last	1 year ago
Dollars per British Pound	1.302	1.312
Dollars per Euro	1.151	1.171
Japanese Yen per Dollar	113.91	112.82
Canadian Dollars per Dollar	1.292	1.257
Mexican Peso per Dollar	19.112	18.530

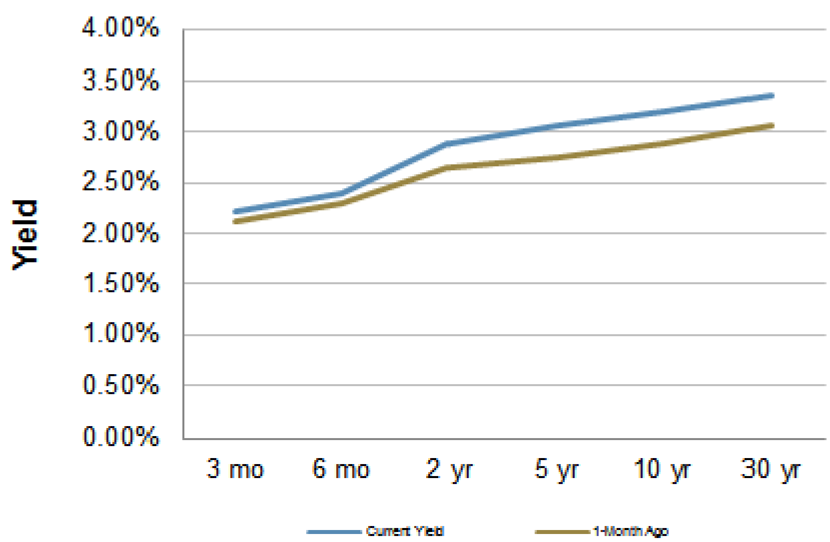
Commodities

	Last	1 year ago
Crude Oil	74.33	50.79
Gold	1201.60	1273.20

Bond Rates

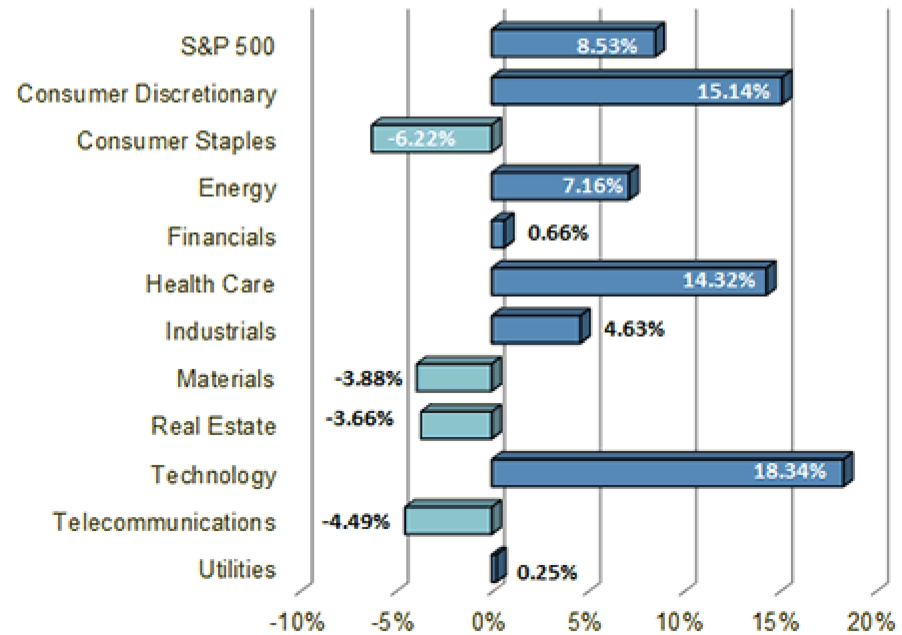
	Last	1 month ago
2-year treasury	2.88	2.65
10-year treasury	3.20	2.88
10-year municipal (TEY)	4.15	3.85

Treasury Yield Curve – 10/05/2018



As of close of business 10/04/2018

S&P Sector Performance (YTD) – 10/05/2018



As of close of business 10/04/2018

Economic Calendar

October 8	—	Columbus Day Holiday (bond market closed)
October 9	—	Small Business Optimism (September)
	—	IMF World Economic Outlook
October 10	—	Producer Price Index (September)
October 11	—	Jobless Claims (week ending October 6)
	—	Consumer Price Index (September)
October 12	—	Import Prices (September)
	—	UM Consumer Sentiment (mid-October)

October 15	—	Retail Sales (September)
October 16	—	Industrial Production (September)
October 17	—	Building Permits, Housing Starts (September)
	—	Fed Beige Book
October 26	—	Real GDP (3Q18, advance estimate)
November 2	—	Employment Report (October)
November 6	—	Election Day
November 8	—	FOMC Policy Decision (no press conference)