RAYMOND JAMES

WEEKLY MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

OCTOBER 12, 2018

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

Bond yields rose, sending the stock market sharply lower (which, in turn, helped to push bond yields back down). Economic growth has remained strong, the labor market has continued to tighten, and inflation is expected to remain moderate. However, for some time now, equity market investors have faced a long list of concerns: tighter Fed policy; higher long-term interest rates; demographic constraints; trade policy disruptions; and risks to the global economy. Why these worries should come to a head and send the stock market down is uncertain. However, it's worth noting that bond market volatility had been unusually low, which typically leads to a sharp adjustment. Judging by my incoming emails and calls from investors (and the financial press), recession is on people's minds (the cover of the Economist magazine asks "The next recession – How bad will it be?"). There are no signs of a downturn on the horizon, but the human element is difficult to predict (and if enough people expect a recession, we just may have one). Market volatility is expected to remain elevated as investors come to terms with near-term economic optimism and fear of the future.

The economic calendar was relatively thin. Consumer price figures rose less than expected, but largely because of a 3.0% drop in the prices of used cars and trucks. In its revised World Economic Outlook, the IMF expects global growth to remain steady in 2019 and 2020 (at 3.7%), although "its pace is less vigorous than projected in April and it has become less balanced."

Next week, with earnings season underway, stock market participants may not pay much attention to the economic data releases. However, the retail sales report will provide some insight into the consumer sector (which accounts for 68% of GDP). Unit motor vehicle sales picked up last month. However, retail payrolls (from the employment report) were reported to have fallen by 20,000 and we may see some impact from Hurricane Florence.

Indices

	Last	Last Week	YTD return %
DJIA	25598.74	26627.48	1.35%
NASDAQ	7422.05	7879.51	6.17%
S&P 500	2785.68	2901.61	2.05%
MSCI EAFE	1851.21	1941.64	-9.73%
Russell 2000	1575.41	1646.91	0.64%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.25	4.25
Fed Funds	2.17	1.16
30-year mortgage	4.94	3.96

Currencies

	Last	1 year ago
Dollars per British Pound	1.320	1.326
Dollars per Euro	1.159	1.183
Japanese Yen per Dollar	112.16	112.28
Canadian Dollars per Dollar	1.303	1.248
Mexican Peso per Dollar	18.977	18.906

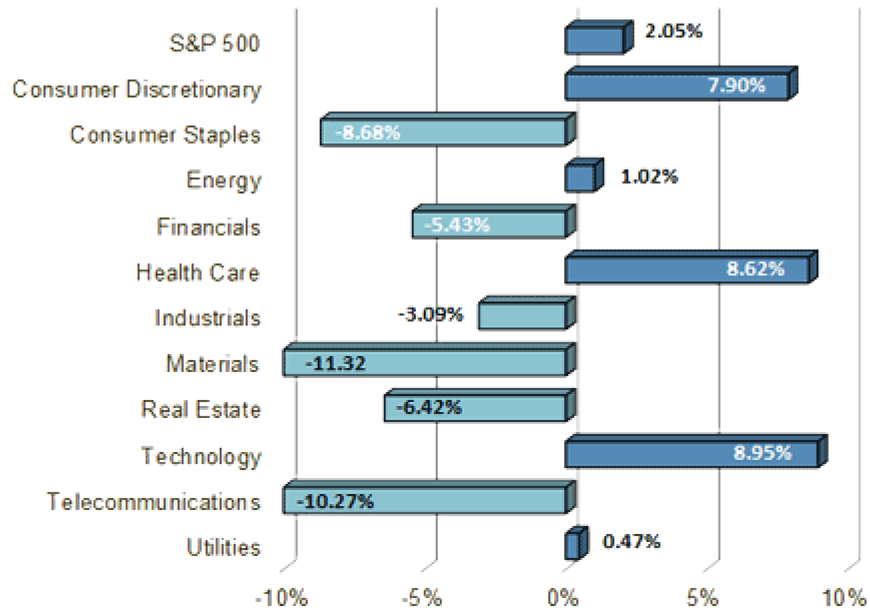
Commodities

	Last	1 year ago
Crude Oil	70.97	50.60
Gold	1227.60	1296.50

Bond Rates

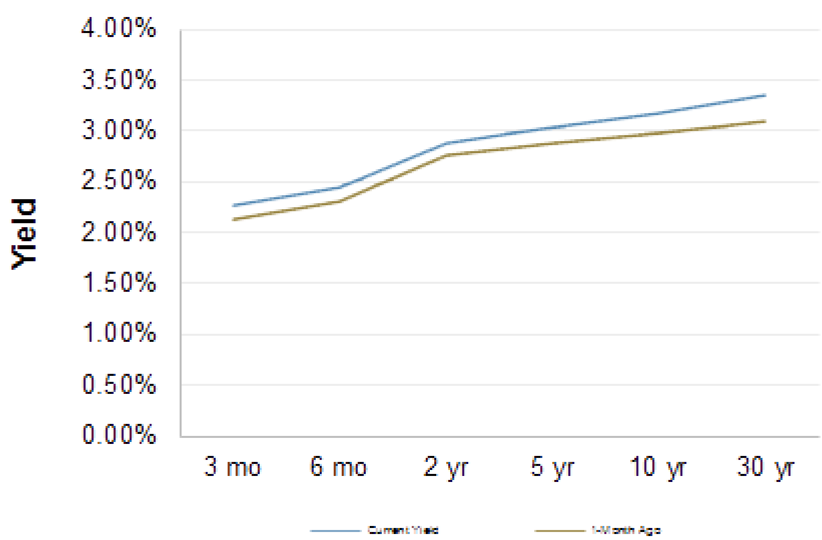
	Last	1 month ago
2-year treasury	2.87	2.75
10-year treasury	3.17	2.97
10-year municipal (TEY)	4.25	3.92

Treasury Yield Curve – 10/12/2018



As of close of business 10/11/2018

S&P Sector Performance (YTD) – 10/12/2018



As of close of business 10/11/2018

Economic Calendar

October 15	—	Retail Sales (September)
October 16	—	Industrial Production (September)
	—	Homebuilder Sentiment (October)
October 17	—	Building Permits, Housing Starts (September)
	—	FOMC Minutes (9/25-26)
October 18	—	Jobless Claims (week ending October 13)
	—	Leading Economic Indicators (September)
	—	Fed Governor Quarles speaks (â€œthe economic outlookâ€•)
October 19	—	Existing Home Sales (September)
October 26	—	Real GDP (3Q18, advance estimate)
November 2	—	Employment Report (October)
November 6	—	Election Day
November 8	—	FOMC Policy Decision (no press conference)

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 October 11, 2018.