

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

DECEMBER 21, 2018

Market Commentary

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Financial markets were expecting a “dovish” rate hike from the Fed – an increase in short-term interest rates and an indication that the central bank would likely refrain from raising rates in 2019. Prior to the Fed’s announcement, the federal funds futures had all but priced out any rate increase for next year. In the revised dot plot, officials differed in their policy expectations, but the median forecast was for two rate increases in 2019. The policy statement noted that Fed officials expect “some further gradual increases” will likely be warranted. In his post-meeting press conference, Chairman Powell said that “the economy has been growing at a strong pace, the unemployment rate has been near record lows, and inflation has been low and stable.” He acknowledged the emergence of “some crosscurrents,” principally a slowing in global growth and a tightening in financial conditions. However, “these developments have not fundamentally altered the outlook.” Fed officials lowered their outlooks for GDP growth in 2019 and reduced their expectations for inflation, but only slightly. Powell emphasized that “actual policy will, as always, be adjusted as incoming data shed light on the state of the economy, the outlook, and the changing balance of risk.”

Stock market investors were disappointed that the Fed remained in tightening mode. The showdown over the federal budget also rattled nerves.

For the most part, financial market participants have generally ignored the economic data releases in recent weeks (the focus is on the 2019 outlook and attending risks). November figures suggested the 4Q18 was a strong quarter for consumer spending growth, but a soft one for capital spending.

Next week, peace on earth, goodwill toward men. Financial market activity should be thin in the holiday

week. The few economic data releases are not expected to be market-moving.

Indices

| | Last | Last Week | YTD return % |
|--------------|----------|-----------|--------------|
| DJIA | 22859.60 | 24597.38 | -7.52% |
| NASDAQ | 6528.41 | 7070.34 | -5.43% |
| S&P 500 | 2467.42 | 2650.54 | -7.71% |
| MSCI EAFE | 1713.27 | 1773.46 | -16.46% |
| Russell 2000 | 1326.00 | 1432.70 | -13.64% |

Consumer Money Rates

| | Last | 1 year ago |
|------------------|------|------------|
| Prime Rate | 5.50 | 4.50 |
| Fed Funds | 2.39 | 1.41 |
| 30-year mortgage | 4.64 | 4.10 |

Currencies

| | Last | 1 year ago |
|---------------------------|-------|------------|
| Dollars per British Pound | 1.266 | 1.339 |
| Dollars per Euro | 1.145 | 1.185 |

| | | |
|-----------------------------|--------|--------|
| Japanese Yen per Dollar | 111.28 | 113.39 |
| Canadian Dollars per Dollar | 1.351 | 1.274 |
| Mexican Peso per Dollar | 19.891 | 19.516 |

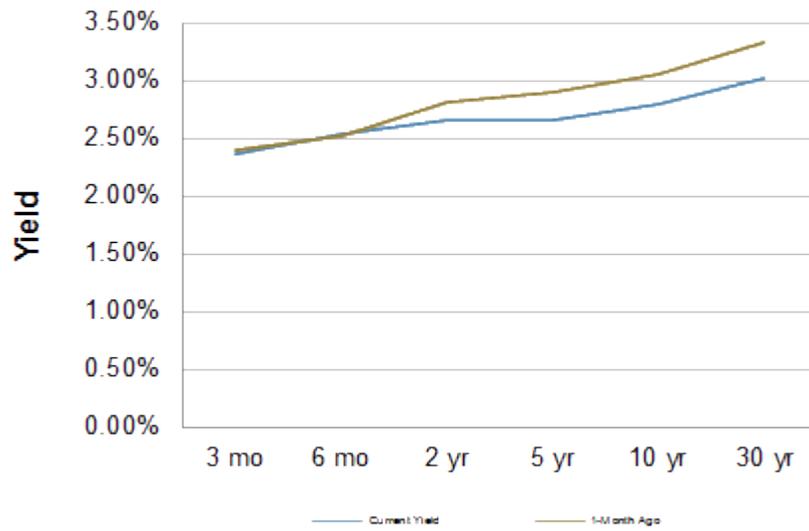
Commodities

| | Last | 1 year ago |
|-----------|---------|------------|
| Crude Oil | 45.88 | 58.36 |
| Gold | 1267.90 | 1270.60 |

Bond Rates

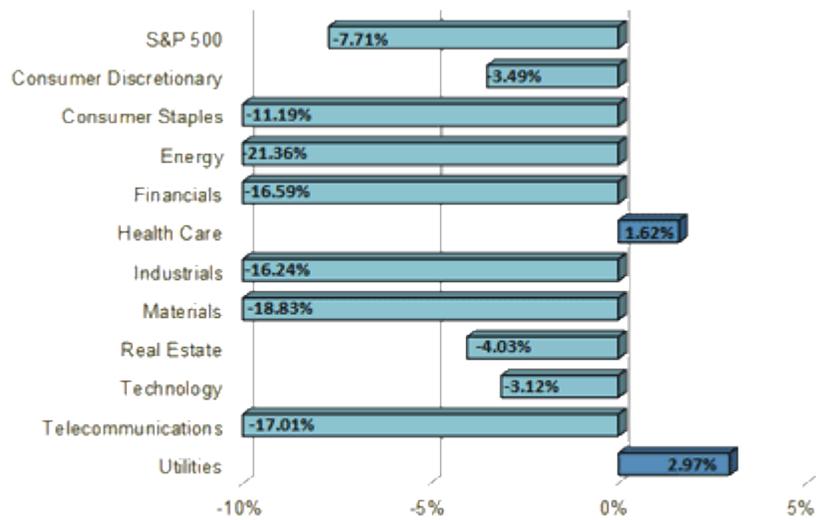
| | Last | 1 month ago |
|-------------------------|------|-------------|
| 2-year treasury | 2.66 | 2.81 |
| 10-year treasury | 2.79 | 3.06 |
| 10-year municipal (TEY) | 3.62 | 4.09 |

Treasury Yield Curve – 12/21/2018



As of close of business 12/20/2018

S&P Sector Performance (YTD) – 12/21/2018



As of close of business 12/20/2018

Economic Calendar

| | | |
|--------------------|---|--|
| December 25 | — | Christmas (market closed) |
| December 27 | — | Jobless Claims (week ending December 22) |
| | — | New Home Sales (November) |
| | — | CB Consumer Confidence (December) |
| December 28 | — | Advance Economic Indicators (November) |
| | — | Chicago Business Barometer (December) |
| | — | Pending Home Sales Index (November) |
| January 1 | — | New Year's Day (markets closed) |
| January 3 | — | ADP Payroll Estimate (December) |
| | — | ISM Manufacturing Index (December) |
| | — | Motor Vehicle Sales (December) |
| January 4 | — | Employment Report (December) |
| January 16 | — | Retail Sales (December) |
| January 21 | — | MLK Holiday (markets closed) |

January 30 — FOMC Policy Decision (Powell press conference)

March 20 — FOMC 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 December 20, 2018.