

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

MARCH 2, 2018

Market Commentary

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

President Trump said he would impose a 25% tariff on imported steel and a 10% tariff on imported aluminum. Directly, this move would be expected to have a small negative impact on overall economic growth and add a little to inflation. However, the decision raises risks of much broader trade conflicts, retaliatory tariffs on U.S. exports, disruptions of supply chains, increased inflation pressure, exchange rate volatility, etc. Trump tweeted that “trade wars are good, and easy to win.” Economists disagree on many things, but there is near unanimous agreement that trade wars are bad and that nobody wins.

In his monetary policy testimony to Congress, Fed Chair Powell repeated three key points that the central bank had already made apparent: 1) the economy is strong, with the labor market at or a bit beyond full employment; 2) further gradual increases in the federal funds rate are likely to be warranted; and 3) the pace of future tightening will depend on the economic data (specifically, what the data imply for the economic outlook).

Real GDP rose at a 2.5% annual rate in the 2nd estimate for 4Q17, as expected. Components were little changed from the previous estimate. Adjusted for inflation, consumer spending fell 0.1% in January. The core PCE Price Index rose 1.5% y/y in January, still below the Fed’s 2% goal (which allows the Fed to move gradually).

Next week, trade policy concerns are likely to linger. Otherwise, the focus should be on the employment report. Nonfarm payrolls are expected to have risen moderately, the unemployment rate is likely to have edged lower, and average hourly earnings should be moderate.

Indices

	Last	Last Week	YTD return %
DJIA	24608.98	24962.48	-0.45%
NASDAQ	7180.56	7210.09	4.02%
S&P 500	2677.67	2703.96	0.15%
MSCI EAFE	2022.43	2057.74	-1.38%
Russell 2000	1507.39	1529.99	-1.83%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.50	3.75
Fed Funds	1.41	0.66
30-year mortgage	4.52	4.24

Currencies

	Last	1 year ago
Dollars per British Pound	1.378	1.229
Dollars per Euro	1.227	1.055
Japanese Yen per Dollar	106.24	113.73
Canadian Dollars per Dollar	1.284	1.333
Mexican Peso per Dollar	18.851	19.810

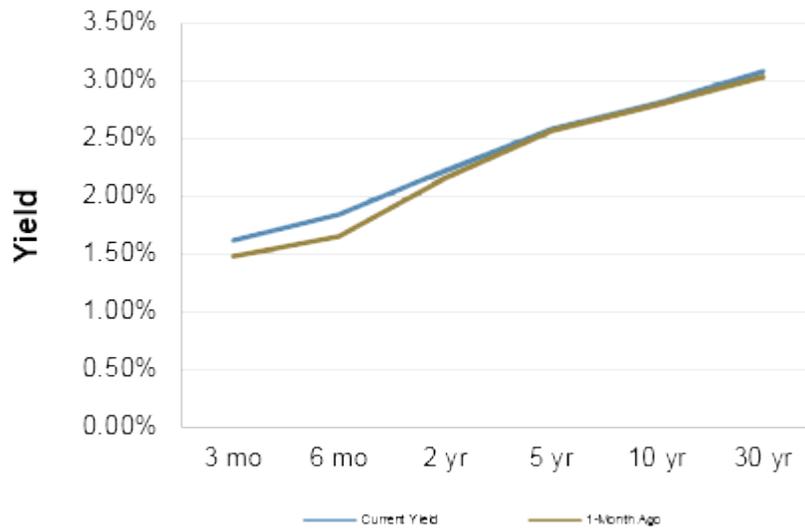
Commodities

	Last	1 year ago
Crude Oil	60.99	53.83
Gold	1305.20	1250.00

Bond Rates

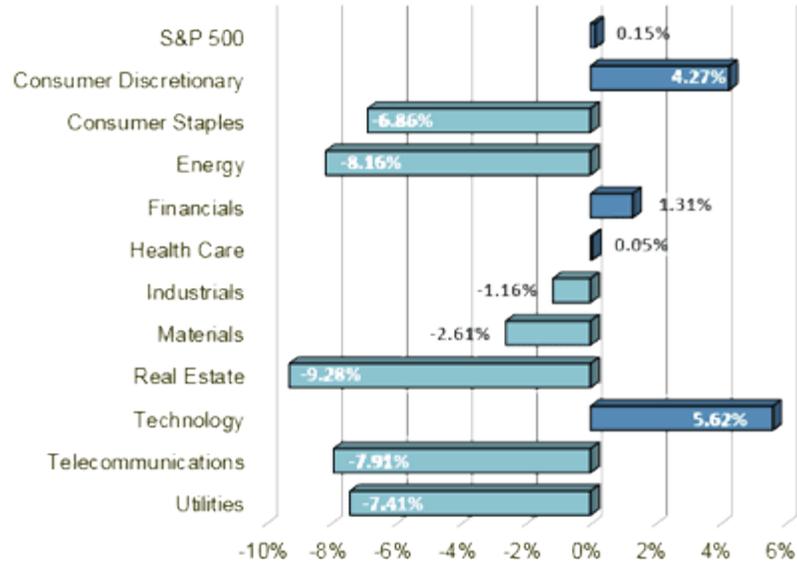
	Last	1 month ago
2-year treasury	2.21	2.15
10-year treasury	2.80	2.79
10-year municipal (TEY)	3.80	3.71

Treasury Yield Curve – 03/02/2018



As of close of business 03/01/2018

S&P Sector Performance (YTD) – 03/02/2018



As of close of business 03/01/2018

Economic Calendar

- March 5** — ISM Non-Manufacturing Index (February)

- March 7** — ADP Payroll Estimate (February)

- Trade Balance (January)

- Fed Beige Book

- March 8** — Jobless Claims (week ending March 3)

- March 9** — Employment Report (February)

- March 13** — Consumer Price Index (February)

- March 14** — Retail Sales (February)

- March 21** — FOMC Policy Decision (Powell press conference)

May 2 — FOMC Policy Decision (no press conference)

June 13 — FOMC Policy Decision (Powell press conference)

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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 March 1, 2018.

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