

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

MAY 11, 2018

Market Commentary

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

President Trump pulled out of the Iran nuclear deal, sending oil prices higher. The stock market continued to advance (rallying on unwelcome news is practically the definition of a bull market). The monthly inflation reports came in on the low side of expectations, but that did little to alter the belief that the Fed will raise short-term interest rates on June 13.

The four-week average for initial claims for unemployment benefits fell to the lowest level since 1969 (when the labor force was about half the size it is now). The March Job Opening and Labor Turnover Survey (JOLTS) showed job openings exceeding the number of unemployed persons for the first time (the survey began in late 2000). The Small Business Optimism survey noted that labor quality remained the No. 1 concern for the fourth consecutive month.

Next week, the retail sales report will take on added significance following soft consumer spending growth in 1Q18. April results are expected to be mixed, but generally moderate (unit vehicle sales fell, gasoline prices rose). Keep an eye out for possible revisions to February and March, which could alter consumer spending expectations for 2Q18. Investors will want to tune into Richard Clarida's nomination hearing on Tuesday. Clarida, a respected economist, is nominated for the vice chair slot and will have a major role in setting monetary policy. Thursday is the deadline for an agreement on NAFTA changes. We could see a watered-down agreement this week or a complete failure, in which case it's unclear how President Trump would respond. Financial market participants continue to hope that everything will work out (minor adjustments to current agreements), but there is a clear risk of more serious trade disruptions (a broader trade war, retaliatory tariffs against U.S. exports, higher input costs, and greater uncertainty for global business investment).

Indices

	Last	Last Week	YTD return %
DJIA	24739.53	23930.15	0.08%
NASDAQ	7404.98	7088.15	7.27%
S&P 500	2723.07	2629.73	1.85%
MSCI EAFE	2043.79	2026.73	-0.34%
Russell 2000	1603.72	1546.56	4.44%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.75	4.00
Fed Funds	1.69	0.91
30-year mortgage	4.65	4.17

Currencies

	Last	1 year ago
Dollars per British Pound	1.352	1.299
Dollars per Euro	1.192	1.086
Japanese Yen per Dollar	109.40	113.38
Canadian Dollars per Dollar	1.277	1.370
Mexican Peso per Dollar	19.223	19.838

Commodities

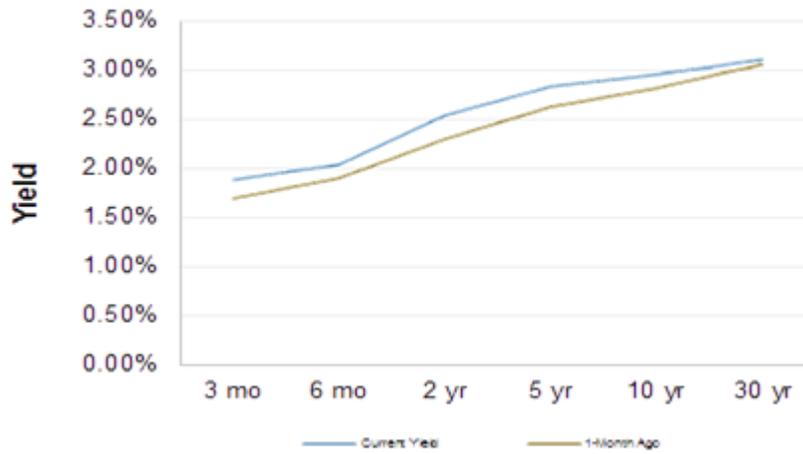
	Last	1 year ago
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Crude Oil	71.36	47.83
Gold	1322.30	1224.20

Bond Rates

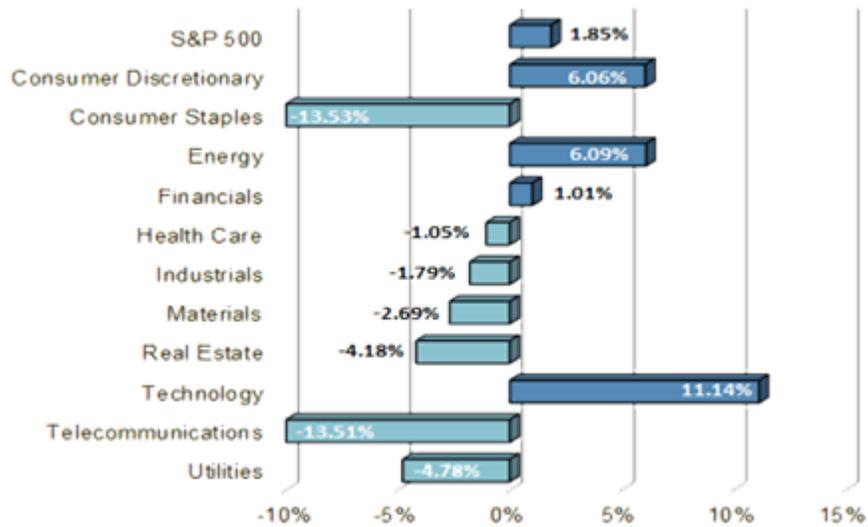
	Last	1 month ago
2-year treasury	2.53	2.29
10-year treasury	2.95	2.81
10-year municipal (TEY)	3.75	3.82

Treasury Yield Curve – 05/11/2018



As of close of business 05/10/2018

S&P Sector Performance (YTD) – 05/11/2018



As of close of business 05/10/2018

Economic Calendar

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|---------------|---|--|
| May 15 | — | Retail Sales (April) |
| | — | Homebuilder Sentiment (May) |
| | — | Fed Nomination Hearing (Clarida, Bowman) |
| May 16 | — | Building Permits, Housing Starts (April) |
| | — | Industrial Production (April) |
| May 17 | — | Jobless Claims (week ending May 12) |
| | — | Leading Economic Indicators (April) |
| May 23 | — | New Home Sales (April) |
| | — | FOMC Minutes (May 1-2) |

May 24	—	Existing Home Sales (April)
May 25	—	Durable Goods Orders (April)
May 28	—	Memorial Day Holiday (Markets closed)
June 1	—	Employment Report (May)
June 13	—	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 May 10, 2018.

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