

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JANUARY 18, 2019

Market Commentary

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

Fear and hope. Market participants remained concerned about the partial government shutdown, which has a larger and broader negative impact on the economy the longer it lasts. Federal employees and their families are suffering from missed paychecks. There are secondary effects due to the loss of supporting business (such as food services). There are longer lines at airport security, delays in mortgage approvals, and disruptions in a wide range of routine processes. However, rumors of possible concessions from China raised hopes that progress could be made in upcoming trade talks later this month.

The government shutdown continued to delay the release of Bureau of Census data reports (retail sales, residential construction), and there is concern that data collection is also being curtailed. Industrial production figures were mixed. Moderate temperatures and mild weather reduced the output of utilities, but boosted manufacturing output (prior to seasonal adjustment, factory output fell less than usual). The Fed's Beige Book suggested modest-to-moderate growth in many sectors of the economy to start the year. Input costs, including wages, have increased, but there were mixed reports on firms' ability to pass higher costs along. The University of Michigan's Consumer Sentiment Index fell sharply in mid-January, reflecting concerns about the stock market, Fed policy, the global economic slowdown, trade policy and the government shutdown. However, the report noted that the decline in sentiment did not mean that an economic downturn is coming (job growth and wage gains should continue to provide support).

Next week, Monday is a holiday. The IMF's updated World Economic Outlook will kick off the annual meeting of the World Economic Forum in Davos (the U.S. delegation is not going – Sad!). The Conference Board's Index of Leading Economic Indicators should be weak (most of the components are known and it's a published formula), reflecting the stock market decline and lower ISM new orders (benchmark revisions are also due).

Indices

	Last	Last Week	YTD return %
DJIA	23370.10	24001.92	4.47%
NASDAQ	7084.47	6986.07	6.77%
S&P 500	2635.96	2596.64	5.15%
MSCI EAFE	1782.72	1787.05	3.65%
Russell 2000	1467.25	1445.43	8.80%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.50	4.50
Fed Funds	2.40	1.41
30-year mortgage	4.59	4.22

Currencies

	Last	1 year ago
Dollars per British Pound	1.299	1.389
Dollars per Euro	1.139	1.224
Japanese Yen per Dollar	109.26	111.11
Canadian Dollars per Dollar	1.328	1.242
Mexican Peso per Dollar	19.172	18.605

Commodities

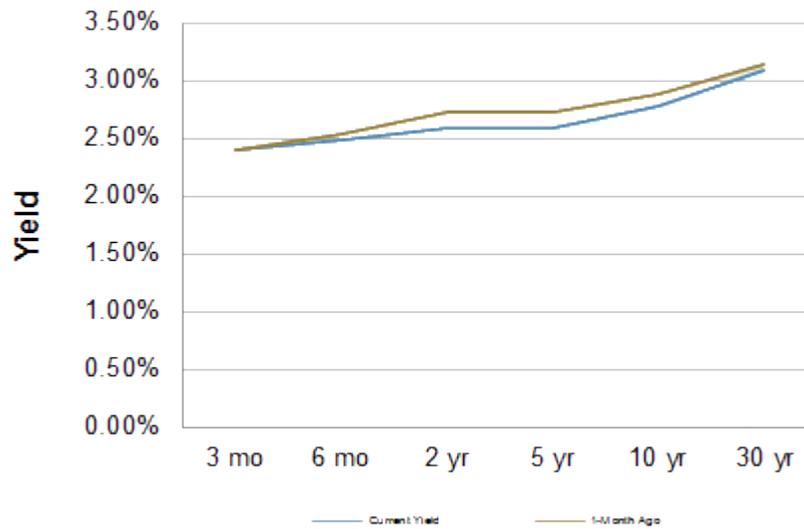
	Last	1 year ago
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Crude Oil	52.07	63.95
Gold	1292.30	1327.20

Bond Rates

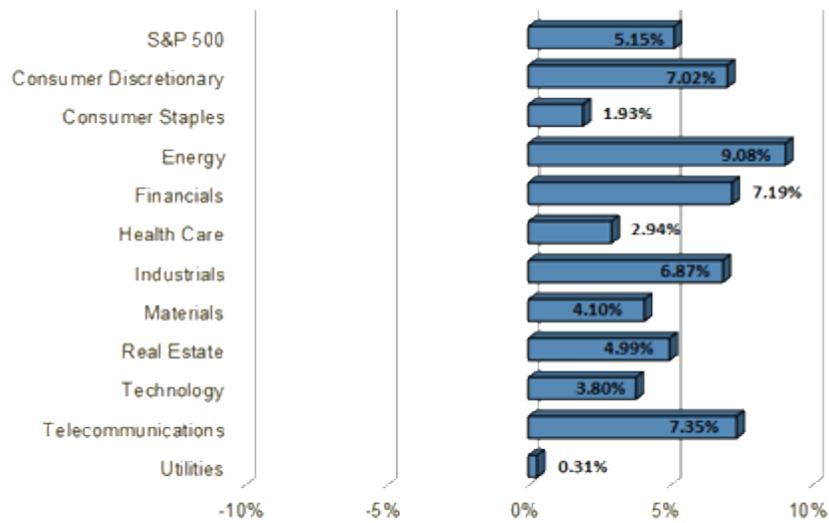
	Last	1 month ago
2-year treasury	2.58	2.73
10-year treasury	2.77	2.88
10-year municipal (TEY)	3.46	3.75

Treasury Yield Curve – 01/18/2019



As of close of business 01/17/2019

S&P Sector Performance (YTD) – 01/18/2019



As of close of business 01/17/2019

Economic Calendar

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|-------------------|---|-----------------------------------------|
| January 21 | — | MLK Holiday (markets closed) |
| | — | IMF World Economic Outlook (update) |
| January 22 | — | Existing Home Sales (December) |
| January 24 | — | Jobless Claims (week ending January 19) |
| | — | Leading Economic Indicators (December) |
| January 25 | — | Durable Goods Orders (December) |
| | — | New Home Sales (December) |
| January 28 | — | CBO Budget and Economic Outlook |

January 29	—	CB Consumer Confidence Index (January)
January 30	—	Real GDP (4Q18, advance estimate)
	—	FOMC Policy Decision (Powell press conference)
January 31	—	Employment Cost Index (4Q18)
February 1	—	Employment Report (January)
	—	ISM Manufacturing Index (January)
February 3	—	Super Bowl LIII
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 January 17, 2019.

