

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JANUARY 25, 2019

Market Commentary

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

Investor sentiment continued to bounce between fear and hope. The week began with continued concerns about the global economy (following reports of slower GDP growth in China and a less optimistic IMF), but ended with optimism that a deal may soon be reached to end the government shutdown (which comes amid reports of more widespread economic disruptions due to the impasse).

The economic calendar was thin, especially as the partial government shutdown led to the postponement of December reports on durable goods orders and new home sales. Existing homes fell 6.4% in December, to a 4.99 million seasonally adjusted annual rate (-10.3% y/y). The National Association of Realtors cited a high level of sensitivity to interest rates. Increased inventories ought to lead to slower price appreciation, but there is a mismatch between “a lack of adequate inventory on the lower-priced points and too many in upper-priced points.” Jobless Claims fell to 199,000 in the week ending January 19, the lowest since November 15, 1969. The “regular” total does not include claims from federal workers, which are reported with a lag (+25,419 in the week ending January 12 vs. 10,454 in the week ending January 5 and 1,658 a year ago).

Next week, the government shutdown means that we will miss the reports on 4Q18 GDP and December personal income/spending. The employment report will still be released. The partial government shutdown may have some impact on payrolls, but there is also a huge amount of seasonal adjustment in January (we can expect to lose about 3 million jobs before adjustment) and annual benchmark revisions are due (although expected to be small). When released on the same day, the ISM manufacturing survey results normally get lost in the shadow of the jobs report, but this time ought to be different. The ISM figure fell sharply (from a very strong level) in December, and market participants will likely be sensitive to a large move. The Conference Board’s consumer confidence figure should remain supported by job

market perceptions. The Employment Cost Index is expected to show further growth on a year-over-year basis.

Indices

	Last	Last Week	YTD return %
DJIA	24553.24	24370.10	5.25%
NASDAQ	7073.46	7084.47	6.60%
S&P 500	2642.33	2635.96	5.40%
MSCI EAFE	1795.49	1782.72	4.40%
Russell 2000	1464.41	1467.25	8.59%

Consumer Money Rates

	Last	1 year ago
Prime Rate	5.50	4.50
Fed Funds	2.40	1.41
30-year mortgage	4.59	4.25

Currencies

	Last	1 year ago
Dollars per British Pound	1.307	1.414
Dollars per Euro	1.130	1.240
Japanese Yen per Dollar	109.64	109.41
Canadian Dollars per Dollar	1.335	1.238
Mexican Peso per Dollar	19.019	18.604

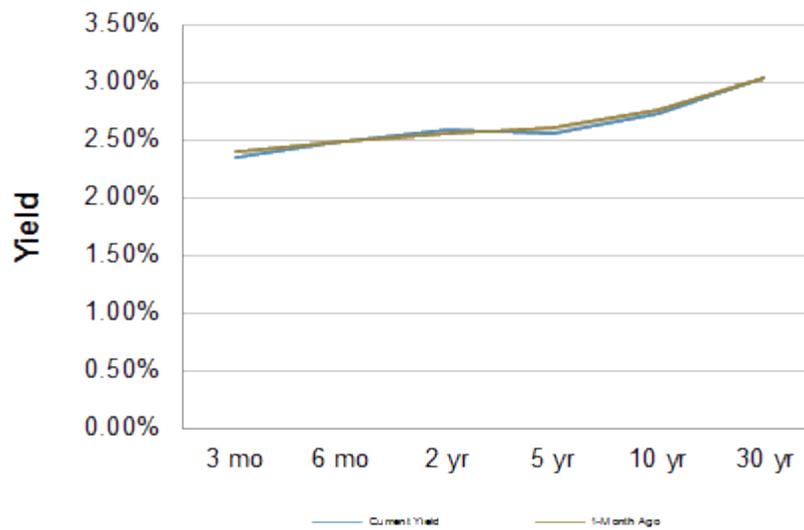
Commodities

	Last	1 year ago
Crude Oil	53.13	65.51
Gold	1285.90	1368.00

Bond Rates

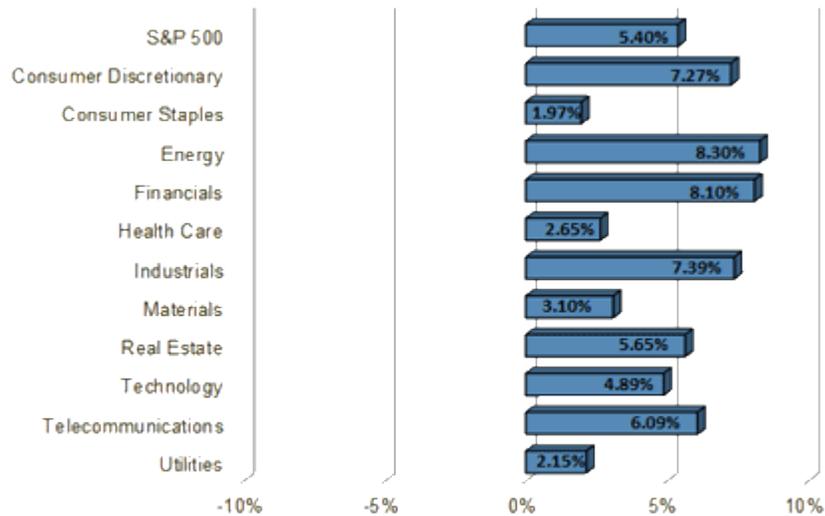
	Last	1 month ago
2-year treasury	2.58	2.56
10-year treasury	2.73	2.76
10-year municipal (TEY)	3.48	3.57

Treasury Yield Curve – 01/25/2019



As of close of business 01/24/2019

S&P Sector Performance (YTD) – 01/25/2019



As of close of business 01/24/2019

Economic Calendar

- | | | |
|-------------------|---|--|
| January 28 | — | CBO Budget and Economic Outlook |
| January 29 | — | CB Consumer Confidence Index (January) |
| January 30 | — | ADP Payroll Estimate (January) |
| | — | *Real GDP (4Q18, advance estimate) |
| | — | FOMC Policy Decision (Powell press conference) |
| January 31 | — | Jobless Claims (week ending January 26) |

- Employment Cost Index (4Q18)
- *Personal Income and Spending (December)
- Chicago Business Barometer (January)
- February 1** — Employment Report (January)
- ISM Manufacturing Index (January)
- UM Consumer Sentiment (January)
- February 3** — Super Bowl LIII
- February 5** — ISM Non-Manufacturing Index (January)
- February 18** — Presidents Day (markets closed)
- March 20** — FOMC Policy Decision (Powell press conference)

* postponed due to government shutdown

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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 24, 2019.