

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JANUARY 3, 2020

Market Commentary

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

Investor optimism remained strong in the first day of trading 2020, but news that the US. Military had assassinated an Iranian general sent share prices lower. The price of oil rose and bond yields fell in response to heightened uncertainty.

The ISM Manufacturing Index fell to 47.2 in December, vs. 48.1 in November. New orders, production, and employment contracted for the fifth consecutive month. Order backlogs fell for the eighth month in a row (not a good sign). “Global trade remains the most significant cross-industry issue, but there are signs that several industry sectors will improve as a result of the phase-one trade agreement between the U.S. and China,” according to the report.

The Conference Board’s Consumer Confidence Index edged down to 126.5 in the initial estimate for December, vs. 126.8 in November (revised from 125.5). Consumers’ assessments of current conditions improved, but their expectations declined, driven by a softening in the outlook regarding jobs and financial prospects. “While the economy hasn’t shown signs of further weakening, there is little to suggest that growth, and in particular consumer spending, will gain momentum in early 2020,” according to the report.

Next week, geopolitical developments are expected to drive financial markets. The ISM Non-Manufacturing Index (Tuesday) should remain consistent with moderate growth in the overall economy. The Employment Report (Friday) will be subject to possible seasonal distortions, but we should see a moderation in the trend in job growth. Prior to seasonal adjustment, we can expect to lose jobs in construction and education in December and gain (temporary) jobs in retail and deliveries. Annual benchmark revisions to the household survey data (the unemployment rate) are not expected to change the picture. Revisions to the establishment survey data (payrolls, hours, and earnings) will be released on February 7.

Indices

| | Last | Last Week | YTD return % |
|--------------|----------|-----------|--------------|
| DJIA | 28868.80 | 28621.39 | 1.16% |
| NASDAQ | 9092.19 | 9022.39 | 1.33% |
| S&P 500 | 3257.85 | 3239.91 | 0.84% |
| MSCI EAFE | 2048.95 | 2031.12 | 0.67% |
| Russell 2000 | 1666.77 | 1677.67 | -0.10% |

Consumer Money Rates

| | Last | 1 year ago |
|------------------|------|------------|
| Prime Rate | 4.75 | 5.50 |
| Fed Funds | 1.75 | 2.40 |
| 30-year mortgage | 3.74 | 4.44 |

Currencies

| | Last | 1 year ago |
|-----------------------------|--------|------------|
| Dollars per British Pound | 1.315 | 1.263 |
| Dollars per Euro | 1.117 | 1.139 |
| Japanese Yen per Dollar | 108.57 | 107.68 |
| Canadian Dollars per Dollar | 1.298 | 1.349 |
| Mexican Peso per Dollar | 18.838 | 19.629 |

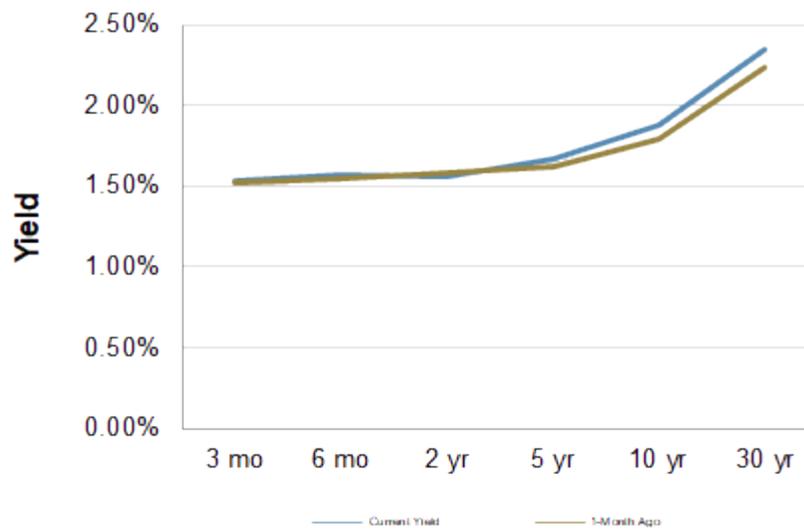
Commodities

| | Last | 1 year ago |
|-----------|---------|------------|
| Crude Oil | 61.18 | 47.09 |
| Gold | 1528.10 | 1294.80 |

Bond Rates

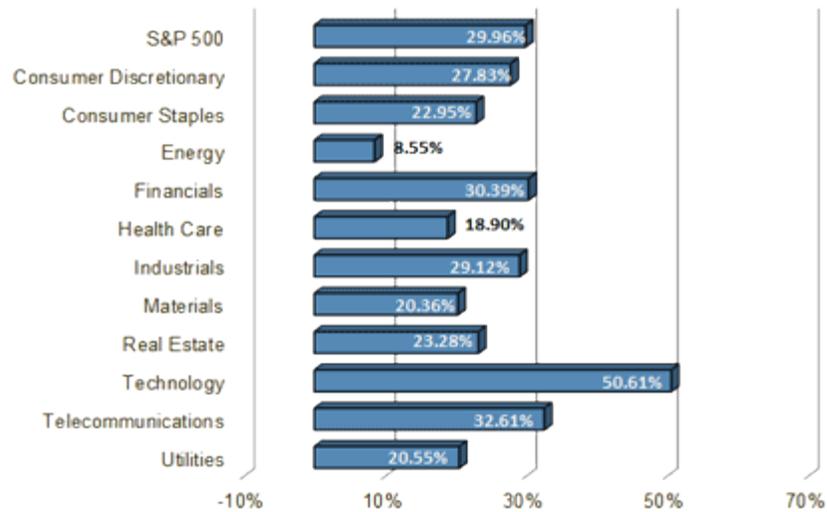
| | Last | 1 month ago |
|-------------------------|------|-------------|
| 2-year treasury | 1.54 | 1.58 |
| 10-year treasury | 1.82 | 1.79 |
| 10-year municipal (TEY) | 2.18 | 2.29 |

Treasury Yield Curve – 01/03/2020



As of close of business 01/02/2020

S&P Sector Performance (YTD) – 01/03/2020



As of close of business 12/31/2019

Economic Calendar

| | | |
|------------|---|--|
| January 7 | — | Trade Balance (November) |
| | — | Factory Orders (November) |
| | — | ISM Manufacturing Index (December) |
| January 8 | — | ADP Payroll Estimate (December) |
| January 9 | — | Jobless Claims (week ending January 4) |
| January 10 | — | Employment Report (December) |

| | | |
|-------------------|---|-----------------------------------|
| January 14 | — | Consumer Price Index (December) |
| January 15 | — | Producer Price Index (December) |
| | — | Fed Beige Book |
| January 16 | — | Retail Sales (December) |
| January 17 | — | Industrial Production (December) |
| January 20 | — | MLK Day (markets closed) |
| January 29 | — | FOMC Policy Decision |
| January 30 | — | Real GDP (4Q19, advance estimate) |
| February 2 | — | Super Bowl LIV |
| February 3 | — | Iowa Caucus |

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc. and are subject to change. There is no assurance any of the forecasts mentioned will occur or that any trends mentioned will continue in the future. Investing involves risks including the possible loss of capital. Past performance is not a guarantee of future results. International investing is subject to additional risks such as currency fluctuations, different financial accounting standards by country, and possible political and economic risks, which may be greater in emerging markets. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, and state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Taxable Equivalent Yield (TEY) assumes a 35% tax rate.

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 2, 2020.