

## The Markets (as of market close December 14, 2018)

A market correction refers to a decline in a stock or index of at least 10% following a temporary high price. After last week's losses, the Dow, S&P 500, and Nasdaq are entering correction territory. Of the benchmark indexes listed here, only the Nasdaq remains ahead of its 2017 closing price. The Russell 2000, which had pushed year-to-date gains of over 10%, now wallows more than 8.0% below last year's ending value. It appears last week's sell-off was fueled by increased investor fears of a global economic slowdown resulting from unfavorable reports on Chinese and eurozone economic indicators.

Oil prices closed down last week following two consecutive weeks of increasing prices. Oil prices closed at about \$51.16 per barrel by late Friday, down from the prior week's closing price of \$52.21 per barrel. The price of gold (COMEX) also fell off after several weeks of gains, dropping to \$1,242.20 by last Friday evening, down from the prior week's price of \$1,253.70. The national average retail regular gasoline price was \$2.421 per gallon on December 10, 2018, \$0.030 lower than the prior week's price and \$0.064 lower than a year ago.

| Market/Index                  | 2017 Close      | Prior Week      | As of 12/14     | Weekly Change | YTD Change |
|-------------------------------|-----------------|-----------------|-----------------|---------------|------------|
| <b>DJIA</b>                   | 24719.22        | 24388.95        | 24100.51        | -1.18%        | -2.50%     |
| <b>Nasdaq</b>                 | 6903.39         | 6969.25         | 6910.66         | -0.84%        | 0.11%      |
| <b>S&amp;P 500</b>            | 2673.61         | 2633.08         | 2599.95         | -1.26%        | -2.76%     |
| <b>Russell 2000</b>           | 1535.51         | 1448.09         | 1410.81         | -2.57%        | -8.12%     |
| <b>Global Dow</b>             | 3085.41         | 2835.95         | 2813.48         | -0.79%        | -8.81%     |
| <b>Fed. Funds target rate</b> | 1.25%-<br>1.50% | 2.00%-<br>2.25% | 2.00%-<br>2.25% | 0 bps         | 75 bps     |

**10-year Treasuries**

2.41%

2.85%

2.89%

4 bps

48 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Economic Headlines

- The federal government deficit expanded by over \$100 billion in November over the prior month. Year-to-date, the deficit sits at \$305.4 billion (\$201.8 billion last year). In November, the government spent \$411 billion, with most of the expenditures going to Social Security (\$84 billion), Medicare (\$77 billion), and national defense (\$62 billion). Receipts last month totaled \$206 billion, consisting mostly of individual income taxes (\$93 billion) and social insurance and retirement (\$93 billion).
- Inflation was rather benign in November for consumers. The Consumer Price Index was unchanged in November after rising 0.3% in October. Over the 12 months ended in November, the CPI has increased 2.2%. Energy prices fell 2.2%, pulled down by a 4.2% drop in gasoline prices. The CPI less food and energy inched up 0.2% in November and is up 2.2% over the last 12 months.
- Inflationary pressures at the producer level receded in November. The Producer Price Index edged up 0.1% in November following increases of 0.6% in October and 0.2% in September. Of note, a 0.3% jump in producer services drove the modest November price increase. Producer prices for goods actually decreased 0.4% for the month. Another sign that inflation is easing is evident in the 12-month rate, which was 3.4% in July and now sits at 2.5% for the 12 months ended in November. The index less foods, energy, and trade services moved up 0.3% in November, the third consecutive increase. For the 12 months ended in November, prices less foods, energy, and trade services advanced 2.8%.
- Retail sales increased 0.2% in November from October, and are up 4.2% over November 2017. Notable sales increases occurred in furniture and home furnishing stores, electronics and appliance stores, and web-based retailers. Gasoline stations saw sales drop by 2.3% in November due to falling gas prices.

- Import prices fell 1.6% in November following a 0.5% rise the previous month. The November decrease is the largest monthly decline since a 1.8% drop in August 2015. An 11.0% decrease in fuel prices contributed to the drop-off in import prices. Over the 12 months ended in November, import prices are up 0.7% — the smallest such increase since the index increased 0.2% from November 2015 to November 2016. Export prices fell 0.9% in November after advancing 0.5% in October — the largest one-month drop since January 2016. While agricultural export prices rose 1.8% for the month, nonagricultural export prices, particularly industrial supplies and materials, fell 1.0%. Over the past 12 months, export prices have increased 1.8%.
- According to the Federal Reserve, industrial production rose 0.6% in November after moving down 0.2% in October; the index for October was previously reported to have edged up 0.1%. In November, manufacturing production was unchanged, the output of mining increased 1.7%, and the index for utilities gained 3.3%. Total industrial production was 3.9% higher in November than it was a year earlier.
- According to the Job Openings and Labor Turnover report for October, the number of job openings ticked up by about 119,000, hires edged up by 196,000, and total separations fell by 85,000. Job openings increased in information (45,000), real estate and rental and leasing (38,000), educational services (20,000), and state and local government education (17,000). The number of job openings decreased in state and local government, excluding education (38,000) and transportation, warehousing, and utilities (33,000).
- For the week ended December 8, the advance figure for seasonally adjusted initial claims for unemployment insurance was 206,000, a decrease of 27,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims inched up 0.1 percentage point to 1.2% for the week ended December 1. The advance number of those receiving unemployment insurance benefits during the week ended December 1 was 1,661,000, an increase of 25,000 from the prior week's level, which was revised up by 5,000.

## **Eye on the Week Ahead**

While the latest report on the gross domestic product is out this week, most eyes will be focused on the announcement from the Federal Open Market Committee's December meeting. While many expect a quarter-of-a-point rate hike, recent market volatility may sway some committee members to hold off on pushing interest rates higher.

*Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment. Content provided by Broadridge Investor Communication Solutions, Inc.*