

The Markets (as of market close December 13, 2019)

Positive developments finally arrived in the ongoing trade war between the United States and China. Last Friday, President Trump announced phase one of a trade deal with China. The president indicated that he would forgo the imposition of tariffs scheduled for December 15 and reduce existing tariffs on about \$120 billion of Chinese imports. According to the president's tweets, China has agreed to make large purchases of targeted farm, energy, and manufactured goods. A representative of the Chinese government said the purchases would total about \$200 billion over two years. Meanwhile, United Kingdom Prime Minister Boris Johnson's Conservative Party enjoyed a robust victory in last week's elections, securing a strong majority in Parliament. This development should give Johnson the votes needed to secure a Brexit deal and foster a new relationship with the European Union. Finally, the Federal Reserve maintained interest rates, noting strong consumer spending and steady economic growth.

All of this helped push stocks marginally higher for the week. Each of the benchmark indexes listed here posted gains, led by the Global Dow, most likely on the probability of a Brexit deal. The Nasdaq advanced close to 1.0%, followed by the S&P 500, the Dow, and the Russell 2000.

Oil prices inched higher last week, closing at \$59.82 per barrel by late Friday afternoon, up from the prior week's price of \$59.12. The price of gold (COMEX) climbed last week, closing at \$1,480.20 by late Friday afternoon, up from the prior week's price of \$1,464.50. The national average retail regular gasoline price was \$2.561 per gallon on December 9, 2019, \$0.014 less than the prior week's price but \$0.140 more than a year ago.

Market/Index	2018 Close	Prior Week	As of 12/13	Weekly Change	YTD Change
DJIA	23327.46	28015.06	28135.38	0.43%	20.61%
Nasdaq	6635.28	8656.53	8734.88	0.91%	31.64%
S&P 500	2506.85	3145.91	3168.80	0.73%	26.41%

Russell 2000	1348.56	1633.84	1637.98	0.25%	21.46%
Global Dow	2736.74	3162.32	3214.02	1.63%	17.44%
Fed. Funds target rate	2.25%- 2.50%	1.50%- 1.75%	1.50%- 1.75%	0 bps	-75 bps
10-year Treasuries	2.68%	1.84%	1.81%	-3 bps	-87 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 News

- As expected, the Federal Open Market Committee maintained interest rates at their current 1.50%-1.75% range. For the first time in several months, the Committee's vote was unanimous. In support of its decision to maintain rates, the Committee noted that the labor market remained strong and that economic activity has been rising at a moderate rate. In addition, while household spending has been rising at a strong pace, business fixed investment and exports remain weak. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2%. Based on quarterly projections, the Committee sees the funds target rate ending 2020 at 1.625%, down from the previous projection of 1.875%.
- The November deficit for the federal government increased to \$208.8 billion, \$74.0 billion over October's deficit. Compared to last October and November, the deficit for the first two months of fiscal year 2020 is larger by about \$38.0 billion.
- Inflationary pressures may finally be gaining some momentum, likely influenced by the trade war between the United States and China. The Consumer Price Index for November advanced 0.3% after rising 0.4% in October. Over the last 12 months, the CPI is up 2.1%. Energy prices jumped 0.8% (gasoline increased 1.1%) last month, while food prices rose 0.1%. Consumer prices less food and energy advanced 0.2% in November, the same increase as in October.

- Prices at the producer level showed no change in November, but they advanced 0.4% in October and are up 1.1% for the 12 months ended in November. A 0.3% rise in goods prices was offset by a comparable drop in prices for services. Producer prices less foods, energy, and trade services was unchanged in November after inching up 0.1% in October. For the 12 months ended in November, prices less foods, energy, and trade services moved up 1.3%, the smallest advance since climbing 1.3% in the 12 months ended September 2016.
- Retail sales increased 0.2% last month and are up 3.3% over November 2018. In November, motor vehicle and parts dealers sales advanced 0.5%, electronics and appliance store sales jumped 0.7%, and gasoline station sales rose 0.7%, while health and personal care store sales fell 1.1% and clothing and clothing accessory store sales dropped 0.6%. Non-store (online) sales increased 0.8% in November and are up 11.5% from November 2018.
- Import prices increased 0.2% in November following a 0.5% drop in October. The increase in import prices was driven by a 2.6% jump in import fuel prices – the largest monthly increase since prices rose 3.6% in May. Export prices also rose 0.2% last month after declining 0.1% in October.
- For the week ended December 7, there were 252,000 claims for unemployment insurance, an increase of 49,000 from the previous week's level. This is the highest level for initial claims since September 30, 2017, when it was 257,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended November 30. The advance number of those receiving unemployment insurance benefits during the week ended November 30 was 1,667,000, a decrease of 31,000 from the prior week's level, which was revised up by 5,000.

Eye on the Week Ahead

Aside from the impeachment news, there's plenty of market-moving economic information available this week, including the final report for the third-quarter gross domestic product. Residential reports out this week include November's figures for housing starts and existing home sales, which increased almost 2.0% in October. Also

of note is the November report from the Federal Reserve on industrial production, which fell 0.8% in October.

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.

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