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Weekly Market Update, November 12, 2018
***Presented by* Bruce & Dawn Cramer**

General Market News

- The yield curve flattened late last week, and the bond market is closed on Monday due to Veterans Day. On Friday, the 2-year closed at 2.92 percent, the 10-year at 3.18 percent, and the 30-year at 3.38 percent. The conclusion of the midterm elections and the Federal Reserve (Fed) pausing on rates until December, at the very least, have answered some lingering questions. But volatility should continue, as will the flattening of the curve, in the weeks and months to come.
- The three major U.S. markets were all up last week, with the Dow Jones Industrial Average and the S&P 500 leading the way. The tech-oriented Nasdaq Composite continues to lag, with Apple Inc. (AAPL), Alphabet Inc. (GOOG/GOOGL), and Netflix (NFLX) continuing to be out of favor following their October sell-offs. The more traditional value and defensive sectors outperformed, with health care, REITs, utilities, consumer staples, and financials leading the gains.
- Last week's two major events—the midterm elections and the November Federal Open Market Committee (FOMC) meeting—both went as expected. The Democrats regained control of the House, while the Republicans added to their existing control in the Senate. Turning to the FOMC meeting, the committee made only minor changes to its policy statement and continued to describe economic activity as strong; however, it did see some moderation from the "rapid" business investment earlier in the year.
- On Monday, the Institute for Supply Management Nonmanufacturing index was released, declining to 60.3 from 61.6. This result was above expectations for a decline to 59.
- On Friday, the Producer Price Index showed inflation of 2.9 percent, which was above expectations for a 2.5-percent gain. Excluding food and energy, the gain was 2.6 percent, coming in above expectations for a 2.3-percent gain.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.21%	2.65%	5.74%	9.73%
Nasdaq Composite	0.74%	1.45%	8.26%	10.93%
DJIA	3.00%	3.64%	7.17%	13.33%
MSCI EAFE	0.24%	1.46%	–7.53%	–5.08%
MSCI Emerging Markets	–2.04%	2.14%	–13.63%	–11.48%
Russell 2000	0.12%	2.56%	1.95%	6.40%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.03%	–2.41%	–2.19%
U.S. Treasury	–0.06%	–2.19%	–2.29%
U.S. Mortgages	–0.21%	–1.90%	–1.77%
Municipal Bond	–0.08%	–1.09%	–1.16%

Source: Morningstar Direct

What to look forward to

This week's data starts with prices and whether inflation is picking up.

On Wednesday, the consumer price reports are expected to show continued inflation at the headline level. The headline index, which includes food and energy, is expected to rise by 0.3 percent in October, up from 0.1 percent in September, on an increase in gasoline costs. The annual figure is expected to rise to 2.5 percent in October from 2.3 percent in September. The core index should rise by less, going from a 0.1-percent increase in September to a 0.2-percent increase for October. Here, the annual figure should remain steady at 2.2 percent. These figures would indicate inflation continues to run somewhat above the Fed's target levels, which should continue to support interest rate increases.

On Thursday, the retail sales report is expected to show faster growth after two weak months. It is anticipated to go from a 0.1-percent gain in September to a 0.5-percent gain for October, on a price-driven increase in gas sales and replacement auto sales for those damaged by Hurricane Florence. Core retail sales, which exclude autos, are also expected to do well. We should see October growth of 0.5 percent, up from a decline of 0.1 percent in September. There may be some upside risk here, as gasoline prices have risen. If the numbers come in as expected, they would be at healthy levels and positive for the economy.

Finally, on Friday, the industrial production report is expected to tick down a bit. It should go from a gain of 0.3 percent for September to a gain of 0.2 percent for October. There may be some downside risk here, on a weather-related decrease in oil production. Manufacturing is expected to do better, with growth rising from a 0.2-percent gain in September to a 0.3-percent gain in October. Again, there may be some downside risk, as the dollar continues to rise. The expected numbers would indicate continued growth and be positive for the economy.

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Disclosures: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays U.S. Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million.*

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