MISSOURI
1300 NW Briarcliff Pkwy, Ste. 120
Kansas City, MO 64150
913.948.6770
816.399.0787

Weekly Market Update, November 5, 2018
Presented by Bruce & Dawn Cramer

General Market News

- As expected, the volatility in the markets continued. The 10-year Treasury yield was back up to 3.20 percent on Monday morning after being as low as 3.05 percent last week. Meanwhile, the 30-year opened at 3.44 percent and the 2-year at 2.89 percent. With elections on Tuesday and the Federal Reserve (Fed) rate announcement on Thursday, the market will be full of new data this week—and we can expect continued volatility in interest rates.
- Global markets were up across the board as they recovered from the sell-off at the end of October. There were several reasons for the support, including strong earnings and share buybacks following the end of the blackout period. Despite missing consensus estimates, Facebook's earnings proved to be a positive contribution to the FANG stocks (i.e., Facebook, Amazon, Netflix, and Google). Additionally, according to FactSet, 74 percent of S&P 500 companies are now reporting a blended growth rate of 24.9 percent, which is higher than the expected 19.3 percent at the end of September. General Motors (GM), DowDuPont (DWDP), and Coca-Cola (KO) were among those that beat their earnings estimates.
- U.S.-China trade talks were mixed last week. President Trump threatened $257 billion in additional tariffs if a deal is not completed following the upcoming G20 meeting. Despite this threat, President Trump tweeted out that his discussions with Chinese President Xi Jinping were "moving along nicely."
- Last week was a busy one for economic updates. On Monday, personal spending growth came in at 0.4 percent, while personal income rose by 0.2 percent. These results follow solid growth for both figures the month before.
- On Thursday, the Institute for Supply Management (ISM) Manufacturing index declined slightly, going from 59 to 57.7. This still represents a healthy level of confidence for manufacturers.
- On Friday, the October employment report was released. Overall, 250,000 new jobs were added during the month, and the unemployment rate stayed steady at 3.7 percent. Average hourly earnings rose to 3.1 percent on a year-over-year basis.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.45%	0.43%	3.45%	7.60%
Nasdaq Composite	2.66%	0.70%	7.46%	10.71%
DJIA	2.36%	0.62%	4.05%	9.89%
MSCI EAFE	3.36%	1.22%	–7.74%	–5.79%
MSCI Emerging Markets	6.09%	4.27%	–11.83%	–9.11%
Russell 2000	4.35%	2.43%	1.82%	4.76%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.28%	–2.65%	–2.46%
U.S. Treasury	–0.28%	–2.41%	–2.41%
U.S. Mortgages	–0.37%	–2.06%	–1.94%
Municipal Bond	–0.27%	–1.28%	–0.80%

Source: Morningstar Direct

What to look forward to

This will be a relatively slow week for economic news.

On Monday, the ISM Nonmanufacturing index pulled back slightly to 60.3, as expected. This result comes after a surprise increase in September to 61.6, a 21-year high. This is a diffusion index, where values greater than 50 indicate expansion. So, even with the small decline, this result remains quite strong. The pullback is due to slowing growth in the service sector. Overall, this result remains a positive indicator for the health of the economy as a whole.

On Friday, the producer prices report will be released. The headline index, which includes energy and food, is expected to rise by 0.2 percent for October, the same as for September. There may be some upside risk here on energy prices and tariff-driven increases in other input prices—especially steel and electronics. The annual change is expected to increase slightly to 2.7 percent from 2.6 percent, indicating that longer-term inflation pressures remain elevated above the Fed’s target range. The core index, which excludes energy and food, is also expected to stay steady at 0.2 percent for October, the same as for September. The annual figure should remain steady at 2.5 percent.

Finally, the University of Michigan consumer sentiment survey will also be released on Friday. It is expected to show confidence pulling back slightly, from 98.6 for October to 97.9 for November. This result would still be high, historically, suggesting that consumers are not yet worried about the effects of a trade war, given the continued strong labor market. This sentiment should continue to support consumer spending and economic growth.

Please click the following link! https://vimeo.com/channels/966267

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.*

Bruce & Dawn Cramer are financial advisors located at Cramer Capital Management 1300 NW Briarcliff Parkway, Suite 120, Kansas City, MO 64150. They offer securities and advisory services as Investment Adviser Representatives of Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Advisers. They can be reached at 913-948-6770 or at bruce@cramercapitalmanagement.com or dawn@cramercapitalmanagement.com

Authored by the Investment Research team at Commonwealth Financial Network.