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Market Week: October 29, 2018

The Markets (as of market close October 26, 2018)

The benchmark indexes suffered another sharp decline last week. Each of the indexes listed here lost value, led by the Global Dow. The S&P 500 and the Nasdaq could be nearing a correction (down more than 10% from recent peaks) following last week's drop. Equally noteworthy is the fact that all of the year-to-date gains have essentially dissipated, with only the Nasdaq still ahead of last year's closing value. Quarterly earnings season reached its busiest time, offering a mixed bag with some major corporations posting healthy gains, while other companies reported a slowdown in revenue. Business investment has waned, while oil prices pulled energy stocks down.

The price of crude oil (WTI) fell once again last week, closing at \$67.69 per barrel by late Friday, down from the prior week's closing price of \$69.37 per barrel. The price of gold (COMEX) rose for the fourth week in a row, reaching \$1,236.10 by Friday evening, up from the prior week's price of \$1,230.00. The national average retail regular gasoline price was \$2.841 per gallon on October 22, 2018, \$0.038 lower than the prior week's price but \$0.362 higher than a year ago.

Market/Index	2017 Close	Prior Week	As of 10/26	Weekly Change	YTD Change
DJIA	24719.22	25444.34	24688.31	-2.97%	-0.13%
Nasdaq	6903.39	7449.03	7167.21	-3.78%	3.82%
S&P 500	2673.61	2767.78	2658.69	-3.94%	-0.56%
Russell 2000	1535.51	1542.04	1483.82	-3.78%	-3.37%
Global Dow	3085.41	2965.49	2843.00	-4.13%	-7.86%
Fed. Funds target rate	1.25%-1.50%	2.00%-2.25%	2.00%-2.25%	0 bps	75 bps
10-year Treasuries	2.41%	3.20%	3.07%	-13 bps	66 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 advance estimate of the third-quarter gross domestic product showed the economy grew at a 3.5% annual rate. The second-quarter GDP increased 4.2%. Consumer spending was a major driver of the overall growth in the third quarter, jumping 4.0%, after increasing 3.8% in the second quarter. Nonresidential (business) investment inched up 0.8% in the third quarter, following a robust 8.7% bump in the prior quarter. As expected, residential investment fell a dismal 4.0% for the quarter and has been a negative for 2018. Also of note is the expanding deficit in net exports, which widened by \$98 billion.
- The housing sector continued to slide in September as new home sales dipped 5.5% below their August rate. The pace of sales lagged despite more new homes on the market, as inventory increased from August's 6.5-month supply to 7.1 months in September. Sales of new homes are 13.2% below the September 2017 rate. The median sales price of new houses sold in September was \$320,000



Key Dates/Data Releases

10/29: Personal income and outlays

11/1: PMI Manufacturing Index, ISM Manufacturing Index

11/2: Employment situation, international trade

(\$319,200 in August). The average sales price was \$377,200 (\$384,500 in August). Rising mortgage rates and higher prices (along with a disastrous hurricane) may be undercutting the housing market, as sales of new and existing homes have stagnated.

- Led by a 1.9% jump in transportation, new orders for manufactured durable goods rose 0.8% in September, following a 4.6% jump in August. Excluding transportation, new orders edged up 0.1%. Shipments (1.3%), unfilled orders (0.8%), and inventories (0.7%) also showed gains in September over the prior month. The negative in this report is the 2.4% drop in capital goods orders. Capital goods are machinery and equipment used in everyday business. Capital goods orders are reflective of real business spending, since they exclude large orders for defense, aircraft, and automobiles. Having fallen for the second consecutive month, the decline in capital goods orders could be a sign of concerns over global trade rifts.
- The international trade deficit was \$76.0 billion in September, up \$0.6 billion from \$75.5 billion in August. Exports of goods for September were \$141.0 billion, \$2.5 billion more than August exports. Imports of goods for September were \$217.0 billion, \$3.1 billion more than August imports. From September 2017, exports are up 8.3%, while imports have advanced 11.2%. Overall, the goods deficit in September of 2018 is \$11.1 billion, or 17%, higher than the deficit a year ago.
- For the week ended October 20, the advance figure for seasonally adjusted initial claims for unemployment insurance was 215,000, an increase of 5,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims fell to 1.1% for the week ended October 13. The advance number of those receiving unemployment insurance benefits during the week ended October 13 was 1,636,000, a decrease of 5,000 from the prior week's level, which was revised up by 1,000. This is the lowest level for insured unemployment since August 4, 1973, when it was 1,633,000.

Eye on the Week Ahead

The employment figures for October are out this week. A good report is usually enough to move the market in a positive direction, at least temporarily.

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.

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