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Market Week: July 15, 2019



The Markets (as of market close July 12, 2019)

Both the Dow and the S&P 500 reached new record highs last week. The Dow surged past 27000 for the first time, while the S&P 500 surpassed the 3000 threshold. Anticipated testimony from Fed Chairman Jerome Powell lent credence to the expected interest rate cut at the end of the month. Powell indicated that "uncertainties around trade tensions and concerns about the strength of the global economy continue to weigh on the U.S. economic outlook." In addition to news that interest rates may decrease, the anticipated trade talks between the United States and China, coupled with last week's strong jobs report, provided a boost to stocks. Along with a strong performance from the large-cap indexes, the tech-heavy Nasdaq enjoyed a good week and leads the way year-to-date, up almost 25.0%. The small caps didn't fare quite as well, recording modest losses last week.

Oil prices surged ahead last week, climbing to \$60.32 per barrel by late Friday afternoon, up from the prior week's price of \$57.69. The price of gold (COMEX) rebounded last week, jumping to \$1,416.30 by late Friday afternoon, ahead of the prior week's price of \$1,402.10. The national average retail regular gasoline price was \$2.743 per gallon on July 8, 2019, \$0.030 higher than the prior week's price but \$0.114 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 7/12	Weekly Change	YTD Change
DJIA	23327.46	26922.12	27332.03	1.52%	17.17%
Nasdaq	6635.28	8161.79	8244.14	1.01%	24.25%
S&P 500	2506.85	2990.41	3013.77	0.78%	20.22%
Russell 2000	1348.56	1575.62	1570.00	-0.36%	16.42%
Global Dow	2736.74	3102.14	3108.53	0.21%	13.59%
Fed. Funds target rate	2.25%-2.50%	2.25%-2.50%	2.25%-2.50%	0 bps	0 bps
10-year Treasuries	2.68%	2.00%	2.10%	10 bps	-58 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

- Inflationary pressures at the consumer level remained tame in June, according to the latest Consumer Price Index. Consumer prices for goods and services inched up 0.1% last month, the same increase as in May. Over the last 12 months, the CPI has increased 1.6%. Keeping the CPI in check was a 2.3% drop in energy prices. Otherwise, the index for all items less food and energy rose 0.3% in June, its largest monthly increase since January 2018. Prices for apparel, used cars and trucks, and household furnishings all boasted strong increases in June. The strength of this report could make some members of the Federal Reserve think twice about cutting interest rates when the Committee meets at the end of the month.

Key Dates/Data Releases

7/16: Retail sales, import and export prices, industrial production

7/17: Housing starts

- The Producer Price Index, which measures goods and services prices before reaching the consumer, advanced 0.1% in June, the same increase as in May, and comparable to the increases the CPI has experienced over the same 2 months. Over the last 12 months, the PPI has risen 1.7%. Within the index, services rose 0.4% in June, the largest increase since climbing 0.8% in October 2018. Conversely, goods moved down 0.4% in June, the largest decrease since falling 0.6% in January. Most of the drop in goods prices is attributable to a 5.0% fall in gasoline prices. Excluding food and energy, producer prices rose 0.3% in June and 2.3% over the last 12 months.
- The government deficit for June was \$8.5 billion, significantly lower than the May deficit of \$207.8 billion. Individual income taxes provided the largest source of revenue for the government in June, totaling \$141.1 billion. The government's largest monthly expenditure in June was for Social Security, which exceeded \$780 billion. For the fiscal year, which began last October, the government deficit sits at \$747.1 billion. Over the same period last fiscal year, the deficit was \$607.1 billion.
- According to the latest figures from the U.S. Bureau of Labor Statistics, there were far more job openings than hires in May. The number of job openings was little changed at 7.3 million on the last business day of May compared to April. The number of hires decreased by 266,000 to 5.7 million in May. The number of separations fell 192,000 in May from the prior month. Quits are generally voluntary separations initiated by the employee. Therefore, the quits rate can serve as a measure of workers' willingness or ability to leave jobs. The number of quits was little changed in May at 3.4 million. The quits rate was 2.3%. Net employment change results from the relationship between hires and separations. Over the 12 months ended in May, hires totaled 69.5 million and separations totaled 66.9 million, yielding a net employment gain of 2.6 million.
- For the week ended July 6, there were 209,000 claims for unemployment insurance, a decrease of 13,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended June 29. The advance number of those receiving unemployment insurance benefits during the week ended June 29 was 1,723,000, an increase of 27,000 from the prior week's level, which was revised up by 10,000.

Eye on the Week Ahead

Industrial production has been lagging, perhaps due, in part, to the ongoing trade impasse between the United States and China. This week's report on industrial production for June from the Federal Reserve will provide the latest information on the manufacturing sector.

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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