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FINANCIAL MARKET UPDATE
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THE WEEK IN REVIEW

Global stock indexes gave up most of last week's large gains this week. Stocks began December on a positive note following the weekend agreement between the U.S. and China to hold off on implementing additional tariffs for 90 days in order to provide time for trade talks to continue. Enthusiasm for the trade agreement quickly faded as few details from China fueled suspicions that the deal contained less than advertised. Relations between the U.S. and China became more strained after Canada complied with a request from the U.S. to arrest the chief financial officer of one of China's most prominent technology companies, Huawei Technologies, for allegedly violating Iran sanctions. The arrest is a particularly sensitive issue for China because the executive is also the daughter of Huawei's chairman, who has ties to Chinese President Xi Jinping.

The Organization of the Petroleum Exporting Countries (OPEC) and Russia announced they will collectively reduce oil production by 1.2 million barrels a day next year. The price of crude oil rallied 1.4% on Friday because the reduction was larger than expected. The reduction is aimed at decreasing the oil market's oversupply which was the primary cause of oil's price decline of over 30% during October and November.

The front end of the U.S. Treasury yield curve inverted on Monday with both 2-year and 3-year Treasuries now offering more yield than the 5-year Treasury note. Leading up to past recessions this has been a less timely indicator of a recession than the 3-month T-bill yield climbing above the yield of the 10-year Treasury note. The yield on the 10-year Treasury note continued to drop this week adding to last week's decline that followed Fed Chairman Powell's comments about monetary policy being close to neutral. The decline this week appears to have been driven by headlines concerning trade. The market's reaction suggests growing concern about the trade war's likely effect on real growth in the U.S., as deterioration of market-based measures of inflation expectations do not account for the entire move lower in yields. This morning, the U.S. Labor Department announced job gains of 155,000 in November, moderately below expectations and under the 206,000 monthly average thus far in 2018.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing	59.3	61.3	▼
ISM Non-Manufacturing	60.7	58.5	▲
Non-Farm Payrolls	155,000	286,000	▼
Unemployment Rate	3.7%	3.9%	▼
Average Hourly Earnings (YoY)	3.1%	3.0%	▲
U. of Mich. Consumer Sentiment	97.5	100.1	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24388.95	-4.50%	-1.34%	0.73%
NASDAQ	6969.25	-4.93%	0.95%	2.30%
S&P 500 Large Cap	2633.08	-4.60%	-1.52%	-0.15%
MSCI EAFE	1758.35	-2.83%	-14.26%	-11.99%
Barclays Aggregate US	2023.08	0.67%	-1.14%	-0.95%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.39%	2.34%	2.35%	1.28%
10-Year Treasury	2.85%	2.99%	3.24%	2.36%

REPORTS DUE NEXT WEEK	LATEST
JOLTS Job Openings (Millions)	7.009
Producer Price Index (YoY)	2.9%
Core Consumer Price Index (YoY)	2.1%
NFIB Small Business Optimism	107.4
Retail Sales (Less Autos YoY)	5.9%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.