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FINANCIAL MARKET UPDATE
9/6/19

THE WEEK IN REVIEW

Bulls took charge in this holiday-shortened week, propelled by an apparent cooling of tensions in the intensifying trade dispute between the U.S. and China. The positive sentiment pushed the S&P 500 up 1.8% to close within 1.6% of its all-time high, while the Dow Jones Industrial Average added 393 points to finish the week at 26,797.46. On Wednesday evening, news broke that top-level trade negotiations from the governments in Washington and Beijing would hold in-person discussions in early October. Meanwhile, a 15% tariff on roughly $110 billion of Chinese imports went into place on September 1, while a tariff increase from 25% to 30% on $250 billion worth of Chinese goods is scheduled for October 1. In fixed income markets, yields on the 10-year U.S. Treasury bond closed at a three-year low of 1.46% on Tuesday before pushing higher later in the week to settle at 1.55%.

A weaker-than-expected August jobs report greeted investors Friday morning, as monthly nonfarm payroll gains of 130,000 undershot the consensus forecast by 30,000 and came in below the monthly average gain of 162,000 jobs added in the first seven months of 2019. The August number included 25,000 temporary government positions related to the 2020 Census. Nonfarm payrolls for June and July were revised down 15,000 and 5,000 respectively. Average hourly earnings increased 0.4% in August and have risen by $0.88, or 3.2%, over the past twelve months. This pace is slightly below this cycle's peak of 3.4% year-over-year wage growth in February and is 0.7% greater than the five-year average of 2.5%. The unemployment rate remained unchanged at 3.7% for the third month in a row.

Markets received mixed messages from a set of survey indicators this week, as the ISM Manufacturing Index registered its weakest reading in three years to move into contraction territory amid U.S.-China trade war-related uncertainty. Meanwhile, the services part of the economy seems largely unaffected by the trade dispute, as the ISM non-manufacturing index rose 2.7 from 53.7 in July to 56.4 in August to exceed consensus estimates by 2.4. The expansion was well diversified with 16 of 17 non-manufacturing industries reporting growth for the month. These strong results seem to signal that, as of yet, the services and consumer side of the domestic economy has not slowed due to trade tensions.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-Farm Payrolls	130,000	62,000	▲
Unemployment Rate	3.7%	3.6%	▲
Average Hourly Earnings (YoY)	3.2%	3.1%	▲
ISM Manufacturing	49.1	52.1	▼
ISM Non-Manufacturing	56.4	56.9	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	26797.46	1.49%	14.88%	3.08%
NASDAQ	8103.07	1.76%	22.12%	2.28%
S&P 500	2978.73	1.79%	18.82%	3.50%
MSCI EAFE	1873.80	1.69%	8.95%	-2.12%
Bbg Barclays Aggregate US	2226.31	-0.29%	8.78%	9.96%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.95%	2.03%	2.13%
10-Year Treasury	1.55%	1.70%	2.87%

REPORTS DUE NEXT WEEK	LATEST
NFIB Small Business Optimism	104.7
Core Consumer Price Index (YoY)	2.2%
Retail Sales (YoY)	3.4%
U. of Mich. Consumer Sentiment	89.8
JOLTS Job Openings (Millions)	7.35

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