



THE WEEK IN REVIEW

U.S. stocks shook off the latest batch of geopolitical concerns and continued their upward trajectory to post strong gains in the first full trading week of 2020. Iranian forces responded to last Friday's killing of Major General Qassem Soleimani with a barrage of ballistic missiles on two U.S. military bases in Iraq on Tuesday. Iran's retaliation sparked a temporary decline in yields on the benchmark U.S. 10-year Treasury bond to 1.70% and drove U.S. crude oil prices above \$65 per barrel for a few hours Tuesday morning. The risk-off sentiment quickly receded, however, after President Trump stated in his address to the nation there were no American casualties in the attack and that Iran "appears to be standing down." Equity indexes quickly rebounded, U.S. Treasury yields climbed higher and crude oil fell back under \$60 a barrel. The S&P 500, Dow Jones Industrial Average and the Nasdaq Composite gained 0.9%, 0.7% and 1.8%, respectively, this week.

The U.S. economy added a seasonally adjusted 145,000 jobs last month and unemployment stayed at a 50-year low of 3.5%, marking a 10th straight year of payroll gains and the longest stretch in 80 years of data. For all of 2019, employers added 2.11 million jobs, which was a slowdown from 2018's robust gain of 2.68 million. A cooler pace of hiring in the final month of 2019 most likely reflected employers' difficulty finding enough workers, global economic uncertainty and the fading effects of the 2018 tax cuts.

The U.S. trade deficit fell to a more than three-year low in November as imports declined further, amid the ongoing U.S.-China trade war. Exports climbed higher, however, suggesting solid economic growth in the fourth quarter. According to the Commerce Department, the trade deficit decreased 8.2% to \$43.1 billion in November, the smallest since October 2016. The trade gap narrowed 0.7% through November and is on track to record its first annual decline since 2013.

Investors are highly anticipating the complete details of the phase one trade deal between the U.S. and China that was agreed upon last year. Chinese Vice Premier Liu He is expected to sign the deal in Washington on January 15. Also coming next week is a series of inflation measures on the U.S. economy, as well as consumer sentiment and small business optimism readings.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Durable Goods Orders	-2.1%	0.2%	▼
ISM Non-Manufacturing	55.0	52.6	▲
Unemployment Rate	3.5%	3.5%	-
Non-Farm Payrolls	145,000	193,000	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	28823.77	0.66%	1.00%	20.09%
NASDAQ	9178.86	1.75%	2.30%	31.39%
S&P 500	3265.35	0.94%	1.07%	25.75%
MSCI EAFE	2036.11	-0.31%	-0.04%	13.94%
Bbg Barclays Aggregate US	2230.06	-0.31%	0.23%	8.96%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.53%	1.54%	2.42%
10-Year Treasury	1.82%	1.84%	2.74%

REPORTS DUE NEXT WEEK	LATEST
Core Consumer Price Index (YoY)	2.3%
Producer Price Index (YoY)	1.1%
NFIB Small Business Optimism	104.7
U. of Mich. Consumer Sentiment	99.3

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

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