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FINANCIAL MARKET UPDATE
9/14/18

THE WEEK IN REVIEW

The S&P 500 Index ended its four-day losing streak Monday and proceeded to record daily gains through the rest of the week on its way to a 1.2% weekly advance. With second quarter earnings season over, investors focused this week on economic data, central bank meetings, and Hurricane Florence. Initial forecasts of damages from Hurricane Florence estimated it to be the ninth most expensive storm in U.S. history. Storm-related damage expectations led to declines in insurance stocks in the first half of the week while home improvement stocks rose. Insurance and home improvement stocks reversed course late in the week as Hurricane Florence was downgraded to a category 1 storm from category 4.

Markets received updates from the central banks in Europe and England this week. European Central Bank (ECB) President Mario Draghi said the ECB plans to begin raising interest rates next fall and end bond purchases this year. The Bank of England (BOE) left interest rates unchanged as expected and highlighted greater uncertainty about the European Union (EU) withdrawal process. BOE governor Mark Carney told the United Kingdom's (UK) cabinet the worst case scenario for leaving the EU without an agreement could include much higher interest rates and a significant decline in housing prices by around 35% over three years. The UK's exit from the EU is scheduled for next March.

Domestically, a slew of data reports were released this week that reflected a healthy U.S. economy. The number of job openings in the U.S. was greater than the number of unemployed people in the month of July. Small business optimism in the U.S. reached a record high in August and the University of Michigan's Consumer Sentiment Index hovered near its highest level since the financial crisis. While those reports point to a robust U.S. economy, retail sales were slightly weaker than expected in August, though the numbers from July were revised higher.

Both the core measures of the producer price index and the consumer price index were lower than expected and lower than the previous month's year-over-year changes, but still over the Fed's target of 2.0%. Both reports suggest that inflation is unlikely to run away from the Fed, but the Fed Funds futures market continues to indicate a nearly 100% probability of a rate hike at the next FOMC meeting in two weeks.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	108.8	107.8	▲
Retail Sales (Less Autos YoY)	7.3%	7.0%	▲
Core Consumer Price Index (YoY)	2.2%	2.2%	-
U. of Mich. Consumer Sentiment	100.8	98.2	▲
Producer Price Index (YoY)	2.8%	3.1%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	26154.67	0.92%	5.81%	17.80%
NASDAQ	8010.04	1.36%	16.03%	24.59%
S&P 500 Large Cap	2904.98	1.16%	8.65%	16.40%
MSCI EAFE	1929.86	1.28%	-5.90%	-1.49%
Barclays Aggregate US	2018.47	0.04%	-1.36%	-1.22%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.15%	2.13%	2.07%	1.04%
10-Year Treasury	3.00%	2.94%	2.90%	2.18%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts (Millions Annualized)	1.168
Existing Home Sales (Millions Annualized)	5.34
Leading Economic Indicators	0.6%

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