Weekly Update

Stocks Slump as Safe-Haven Securities Soar

December 14, 2018

Member FINRA/SIPC, a registered investment advisor

The Economy

- The selloff in U.S. equity markets continued as investors fled stocks in record numbers. Demand for safe-haven investments surged, (such as U.S. Treasury bonds); and pressured bond yields lower in recent weeks.
- Total import prices declined by 1.6% in November, driven by petroleum. The weaker-than-expected reading also reflected a resurgent U.S. dollar. Export prices softened by 0.9%. Overall, the report pointed to subdued inflation, which economists say could remain through the first half of 2019.
- Industrial production grew by 0.6% in November, with mining and utilities posting sizable gains. Manufacturing was flat for the month as factories contended with a stronger dollar driving up the prices of U.S. products in foreign markets.
- Retail sales expanded by a better-than-expected 0.2% in November, helping to lessen fears of an economic slowdown. Analysts hinted that the favorable November reading points to a strong upcoming holiday shopping season.
- Job openings (a measure of labor demand) lifted from 7.01 to 7.09 million in October, according to the Department of Labor, continuing to exceed the number of those employed. Hiring rose 3.4%, reaching 5.97 million but lagging the number of available jobs. The quits rate fell 1.4% to 3.51 million; the Federal Reserve uses this reading as a barometer for wage inflation.
- Producer prices inched up by 0.1% in November; the overall momentum of wholesale inflation appears to be decelerating, according to analysts. Food prices advanced by a robust 1.3%, yet this was offset by a 14% plunge in gasoline prices.
- Consumer prices were flat in November, restrained by the sharp decline in gasoline prices, keeping underlying inflation pressure at bay. However, rents and the costs of drugs, medical care and food moved higher during the month. The consumer price index is used as a gauge for the cost of living.
- Mortgage-purchase applications swelled by 3.0% in the week ending December 7, while refinancing activity (which can be sensitive to even small rate changes) advanced 2.0%. The average interest rate on a 30-year fixed-rate mortgage fell below the 5.0% threshold to 4.96%, the lowest level since September. Despite recent weekly gains, total application volume remained 16.0% lower compared to a year ago.
- Initial jobless claims slid by 27,000 to 206,000 in the week ending December 8. The more stable four-week moving average contracted by 3,250 to 224,750. Continuing claims rose by 25,000 to 1.66 million.
- The European Central Bank announced the end of its stimulus program and downgraded its economic growth forecasts, which include inflation and gross domestic product (GDP) projections.
- Industrial production in the eurozone rebounded by a modest 0.2% in October, reinforced by output in capital goods. The reading was offset by a 1.7% decline in energy output.

U.S. Economic Calendar

- December 17: Housing Market Index
- December 18: Housing Starts
- December 19: Mortgage Applications
- December 20: Jobless Claims, Leading Indicators
- December 21: Durable Goods Orders, GDP, Consumer Sentiment

Stocks

- Global equity markets were positive this week; emerging markets led developed markets.
- U.S. equity sector performance was largely negative. Utilities and telecommunications led, while energy and lagged. Growth stocks beat value stocks, and large-cap stocks outperformed small-cap stocks.

Bonds

- Global bond markets were mostly negative this week. High-yield bond led, while global government bonds and global corporate bonds lagged.
- The 10-year Treasury yield struggled for direction but ended the week higher, increasing to 2.89%.

The Numbers as of December 14, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.5%	-7.2%	-5.8%	476.1
MSCI EAFE ($)	0.3%	-13.5%	-12.1%	1773.5
MSCI Emerging Mkts ($)	0.4%	-14.9%	-12.1%	985.5
US & Canadian Equities				
Dow Jones Industrials ($)	-1.1%	-2.5%	-1.6%	24109.6
S&P 500 ($)	-1.4%	-2.9%	-2.1%	2595.8
NASDAQ ($)	-0.7%	0.2%	0.9%	6919.2
S&P/ TSX Composite (C$)	-1.4%	-10.0%	-8.9%	14587.5
UK & European Equities				
FTSE All-Share (£)	0.6%	-11.6%	-8.7%	3733.0
MSCI Europe ex UK (€)	1.3%	-9.8%	-10.4%	1214.1
Asian Equities				
Topix (¥)	-1.7%	-12.4%	-11.9%	1592.2
Hong Kong Hang Seng ($)	0.1%	-12.8%	-10.5%	26094.8
MSCI Asia Pac. Ex-Japan ($)	0.7%	-14.2%	-12.2%	488.5
Latin American Equities				
MSCI EMF Latin America ($)	-0.8%	-9.1%	-5.1%	2569.5
Mexican Bolsa (peso)	-1.4%	-16.4%	-14.4%	41265.7
Brazilian Bovespa (real)	-0.8%	14.5%	20.7%	87449.5
Commodities ($)				
West Texas Intermediate Spot	-2.7%	-15.3%	-10.2%	51.2
Gold Spot Price	-0.5%	-5.1%	-1.2%	1239.8
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.3%	-2.6%	-2.2%	472.0
JPMorgan Emerging Mkt Bond	0.7%	-4.6%	-4.3%	771.0
10-Year Yield Change (basis points*)				
US Treasury	5	49	54	2.89%
UK Gilt	-2	5	6	1.24%
German Bund	0	-17	-6	0.25%
Japan Govt Bond	-2	-1	-2	0.04%
Canada Govt Bond	3	6	25	2.10%
Currency Returns**				
US$ per euro	-0.7%	-5.8%	-4.0%	1.130
Yen per US$	0.6%	0.6%	0.9%	113.38
US$ per £	-1.1%	-6.9%	-6.3%	1.258
C$ per US$	0.4%	6.4%	4.5%	1.338

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index Definitions:

S&P 500 Index: The S&P 500 Index is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks.

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