Weekly Update

U.S. Equities Rally on Trade Optimism

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Member FINRA/SIPC,
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The Economy

- U.S. stocks moved higher this week as investors grew more optimistic after U.S. officials broached the topic of lifting tariffs on Chinese imports. For the past year, the trade battle has rattled global economies, battering U.S. importers and further harming an already-weak Chinese economy. Investors remained hopeful that the world's two largest economies will resolve their differences ahead of the March 1 deadline (official date of new tariff impositions) to avoid further escalation of the trade war.
- Industrial production grew by 0.3% in December, with mining and manufacturing posting sizable gains. Meanwhile, utility production shrank by 6.3% due to lower demand stemming from unseasonably warm temperatures.
- Total import prices deflated by 1.0% in December, almost entirely driven by an 11.6% decline in petroleum. Export prices softened by 0.6%, with oil posting a 4.6% decline. A surge in agricultural export prices helped offset the weakness in oil.
- Producer prices eased by 0.2% in December. Energy prices tumbled by 5.4% for the month; however, an ongoing recovery in oil may lead to a January rebound.
- Mortgage-purchase applications advanced by 9.0% in the week ending January 11, while refinancing activity (which can be sensitive to even small rate changes) jumped by 19.0%. The average interest rate on a 30-year fixed-rate mortgage was unchanged at 4.74%. Economists and members of the Mortgage Bankers' Association anticipate a solid spring for the housing market, provided that low interest rates and robust job growth persist.
- The National Association of Home Builders Housing Market Index moved two points higher in January to 58, indicating improved homebuilder sentiment. Analysts attribute this to the gradual reduction in mortgage rates in recent weeks. The reading is used to gauge builder opinion on the relative level of current and future home sales.
- In a recent report, the Federal Reserve linked mounting student debt to a drop in home ownership among young Americans. Total student debt now exceeds $1.5 trillion, surpassing credit-card and car-loan debt. The debt burden of this generation has the potential to damper young Americans economic prospects in the future.
- Initial jobless claims narrowed by 3,000 in the week ending January 12. The more stable four-week moving average eased by 1,000 to 220,750. Continuing claims swelled by 18,000 to 1.74 million.
- Industrial production in the eurozone deteriorated by 1.7% in November, registering its worst performance since 2016. The contraction was broad-based; capital goods and durable consumer goods were the weakest.
- Consumer prices in the U.K. rose by 0.2% in December, while producer prices eased by 0.3% for the month. Year-end inflation data remained soft, suggesting near-term stable interest rates.
- Exports in China fell in December, providing fresh evidence of a slowing economy. The decline exacerbated fears that China's slowdown may negatively impact U.S. corporate earnings.

U.S. Economic Calendar

- January 22: Existing Home Sales
- January 23: Mortgage Applications
- January 24: Jobless Claims, Leading Indicators
- January 25: Durable Goods Orders, New Home Sales

Stocks

- Global equity markets were positive this week; developed markets led emerging markets.
- U.S. equity sector performance was largely positive. Industrials and financials led, while consumer staples and utilities 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 bonds led, followed by global corporate bonds and global government bonds.
- The 10-year Treasury bond yield rose to 2.79%.

The Numbers as of January 18, 2019	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.9%	4.8%	-11.0%	477.6
MSCI EAFE ($)	-0.2%	3.7%	-16.8%	1782.7
MSCI Emerging Mkts ($)	0.8%	4.5%	-17.8%	1009.0
US & Canadian Equities				
Dow Jones Industrials ($)	3.0%	5.9%	-5.0%	24707.6
S&P 500 ($)	2.8%	6.5%	-4.6%	2668.9
NASDAQ ($)	2.6%	7.8%	-1.9%	7156.1
S&P/ TSX Composite (C$)	2.5%	6.9%	-6.0%	15311.2
UK & European Equities				
FTSE All-Share (£)	0.8%	4.1%	-9.5%	3826.1
MSCI Europe ex UK (€)	0.5%	3.9%	-12.6%	1211.5
Asian Equities				
Topix (¥)	1.8%	4.3%	-17.0%	1557.6
Hong Kong Hang Seng ($)	1.6%	4.8%	-15.7%	27090.8
MSCI Asia Pac. Ex-Japan ($)	0.7%	3.7%	-17.0%	494.5
Latin American Equities				
MSCI EMF Latin America ($)	0.6%	10.5%	-7.6%	2835.0
Mexican Bolsa (peso)	1.7%	6.4%	-11.2%	44299.9
Brazilian Bovespa (real)	2.6%	9.3%	18.7%	96096.8
Commodities ($)				
West Texas Intermediate Spot	4.3%	18.5%	-15.9%	53.8
Gold Spot Price	-0.6%	0.1%	-3.5%	1282.7
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.3%	0.3%	-1.4%	480.3
JPMorgan Emerging Mkt Bond	0.6%	2.3%	-2.5%	788.4
10-Year Yield Change (basis points*)				
US Treasury	8	10	16	2.79%
UK Gilt	6	8	2	1.35%
German Bund	2	2	-31	0.26%
Japan Govt Bond	0	1	-7	0.02%
Canada Govt Bond	8	7	-19	2.04%
Currency Returns**				
US$ per euro	-0.9%	-0.9%	-7.1%	1.136
Yen per US$	1.2%	0.1%	-1.2%	109.75
US$ per £	0.2%	0.9%	-7.4%	1.286
C$ per US$	0.1%	-2.7%	6.9%	1.328

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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