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FINANCIAL MARKET UPDATE
9/7/18

THE WEEK IN REVIEW

Major U.S. stock indexes failed to hold recent highs in the first week of September, led by the technology-heavy NASDAQ Composite Index's 2.6% weekly decline. The traditionally defensive consumer staples and utilities sectors were the best performing groups in the S&P 500 Index on the week, while the technology and energy sectors were the worst performers with each losing over 2%. Yields on the benchmark 10-year U.S. Treasury bond moved sharply higher on Friday to close the week at 2.94% following stronger-than-expected wage gains for U.S. workers in August and a stronger-than-expected expansion in the domestic manufacturing industry. U.S. crude oil prices pushed above $71 per barrel in early Tuesday trading as tropical storm Gordon gathered pace in the Gulf of Mexico, and then dropped below $68 per barrel to close the weak on increased trade tensions.

In Washington, confirmation hearings for Supreme Court nominee Brett Kavanaugh got underway in the Senate. Meanwhile Facebook and Twitter executives testified before the Senate Intelligence Committee on a range of topics related to online misinformation. Canadian and U.S. trade negotiators resumed discussions on an updated NAFTA package Wednesday. On Thursday, the Trump Administration's public consultation period for an additional $200 billion of tariffs on Chinese imports ended. Friday morning, President Trump stated that he is prepared to levy tariffs on $267 billion of Chinese goods in addition to the $200 billion previously mentioned. This brings the total tariffs threatened on Chinese imports to over $500 billion, around the same amount of goods the U.S. imported from China last year.

Total nonfarm payroll employment increased by 201,000 in August, slightly better than the average monthly gain of 196,000 over the prior twelve months, according to the Bureau of Labor Statistics. The gain in total nonfarm payroll employment in July was revised down from 157,000 to 147,000 and June was revised down from 248,000 to 208,000. Also, the unemployment rate remained unchanged at 3.9% while average hourly earnings increased year-over-year by $0.77 or 2.9% to $27.16. This was the highest wage growth since 2009 and surpassed all estimates in a Bloomberg survey of economists. Higher than expected wage growth seemed to drive bond market action on Friday, pushing government bond yields sharply higher.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing	61.3	58.7	▲
ISM Non-Manufacturing	58.5	58.6	▼
Non-Farm Payrolls	201000	268000	▼
Unemployment Rate	3.9%	3.8%	▲
Average Hourly Earnings (YoY)	2.9%	2.8%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25916.54	-0.19%	4.84%	18.97%
NASDAQ	7902.54	-2.55%	14.47%	23.52%
S&P 500 Large Cap	2871.68	-1.03%	7.41%	16.49%
MSCI EAFE	1914.37	-2.43%	-6.65%	-1.77%
Barclays Aggregate US	2024.59	-0.11%	-1.06%	-1.45%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.13%	2.09%	2.04%	1.04%
10-Year Treasury	2.94%	2.86%	2.97%	2.04%

REPORTS DUE NEXT WEEK	LATEST
JOLTS Job Openings (Millions)	6.66
Core Consumer Price Index (YoY)	2.4%
Retail Sales (Less Autos YoY)	7.2%
U. of Mich. Consumer Sentiment	96.2

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