

In this week's recap: the S&P 500 and Dow Jones Industrial Average close at historic peaks after bulls consider Capitol Hill testimony from Federal Reserve Chairman Jerome Powell; tame inflation persists.

Weekly Economic Update

Presented by Pat Baxter, Investment Advisor Representative, July 15, 2019

THE WEEK ON WALL STREET

Friday, the S&P 500 settled above 3,000 for the first time, after rising 0.78% for the week. The Dow Jones Industrial Average chalked up a milestone of its own: the blue chips ended the week above 27,000, gaining 1.52% on the way. Additionally, the Nasdaq Composite wrapped up the week 1.01% higher. The MSCI EAFE index, a gauge of overseas developed markets, fell 0.65%.¹⁻³

Stocks rallied at mid-week with help from Federal Reserve Chairman Jerome Powell's congressional testimony on monetary policy, plus the latest Fed meeting minutes.

JEROME POWELL'S STATEMENTS

Wednesday, Chairman Powell told Capitol Hill lawmakers that "uncertainties around global growth and trade continue to weigh on the outlook" of the Federal Open Market Committee. He also noted that "manufacturing, trade, and investment are weak all around the world."⁴

On the same day, the Fed presented the minutes of its June policy meeting. The record shared the belief of some Fed officials that "a near-term cut in the target range for the federal funds rate could help cushion the effects of possible future adverse shocks to the economy."⁴

OVERALL INFLATION REMAINS MUTED

The June Consumer Price Index, released last week by the Bureau of Labor Statistics, measured only 1.6% yearly inflation. The Federal Reserve uses the Bureau of Economic Analysis' Core Personal Consumption Expenditures (PCE) Price Index as its inflation barometer; in its latest edition, it showed just a 1.5% year-over-year rise.⁵

Currently, the Fed has a yearly inflation target of 2.0%. In the past, it has often raised interest rates in response to increasing inflation, which can potentially slow growth and affect hiring and

employment levels. Absent significant inflation pressure, such a response may not be forthcoming.⁵

FINAL THOUGHT

All eyes are on corporate earnings this week, as prominent banks and about two dozen other S&P 500 firms report second-quarter results. Market participants have much to consider in terms of profits, revenue, and guidance.

TIP OF THE WEEK



*Done wrong, a **do-it-yourself estate strategy** can lead to some **tax management issues** for your heirs. Other common problems include using documents inappropriate for your state or a power of attorney that your bank may challenge.*

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Fed chair Jerome Powell delivers a speech on monetary policy at the G7 summit in France, and the Census Bureau releases its June retail sales report.

Friday: The University of Michigan presents its preliminary July consumer sentiment index, measuring consumer confidence and perceptions of the economy.

Source: Econoday / MarketWatch Calendar, July 12, 2019

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THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Citigroup (C), J.B. Hunt (JBHT)

Tuesday: Goldman Sachs (GS), Johnson & Johnson (JNJ), JPMorgan Chase (JPM), Wells Fargo (WFC)

Wednesday: Bank of America (BAC), Netflix (NFLX), Novartis (NVS), Abbott Labs (ABT)

Thursday: Microsoft (MSFT), UnitedHealth (UNH)

Friday: American Express (AXP)

Source: Zacks, July 12, 2019

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QUOTE OF THE WEEK



“Be nice to people on your way up, because you’re going to meet them all on your way down.”

JIMMY DURANTE

Market Index	Close	Week	Y-T-D
DJIA	27,332.03	+1.52%	+17.17%
NASDAQ	8,244.14	+1.01%	+24.25%
MSCI-EAFE	1,919.61	-0.65%	+11.61%
S&P 500	3,013.77	+0.78%	+20.22%



	Treasury	Close	Week	Y-T-D
	10-Year Note	2.12%	+0.08%	-0.57%

Sources: The Wall Street Journal, July 12, 2019; Treasury.gov, July 12, 2019

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, July 5 to the Friday, July 12 close. Weekly performance for the MSCI-EAFE is measured from the Friday, July 5 open to the Thursday, July 11 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

THE WEEKLY RIDDLE



*Marking mortal privation, when firmly in place. An enduring summation, **inscribed** on my face. What am I?*

LAST WEEK'S RIDDLE: Pronounced as one letter, written with three, there are only two letters in me. I'm read from both ends, and the same either way. What word am I?

ANSWER: The word "eye."

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- 3 - quotes.wsj.com/index/XX/990300/historical-prices [7/12/19]
- 4 - investopedia.com/markets-cheer-lower-interest-rate-outlook-4692639 [7/10/19]
- 5 - reuters.com/article/us-usa-economy-inflation/u-s-core-cpi-posts-biggest-gain-in-nearly-1-1-2-years-idUSKCN1U61NR?il=0 [7/11/19]

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