



Asset Strategy

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ASSET STRATEGY

Market Week: February 10, 2020



The Markets (as of market close February 7, 2020)

Stocks rebounded and long-term bond yields rose last week amid reports of China's plans to cut tariffs on some American imports. The S&P 500, Dow, and Nasdaq reached all-time highs during the week, and global stocks soared. Also helping push stocks higher was a round of favorable fourth-quarter corporate earnings figures and a strong labor report. Investors seemed intent on locking in gains by last week's end as stocks fell somewhat. Nevertheless, each of the benchmark indexes listed here posted solid gains, led by the Nasdaq, which gained more than 4.0%. The large caps of both the Dow and S&P 500 advanced by 3.0% and 3.17%, respectively. The small caps of the Russell 2000, which had been reeling for the past several weeks, climbed 2.65%. Year-to-date, the Nasdaq is more than 6.0% ahead of its 2019 closing value. Only the Russell 2000 is slightly behind last year's mark.

Oil prices dropped again last week, closing at \$50.47 per barrel by late Friday afternoon, down from the prior week's price of \$51.61. The price of gold (COMEX) plunged last week, closing at \$1,573.90 by late Friday afternoon, down from the prior week's price of \$1,592.70. The national average retail regular gasoline price was \$2.455 per gallon on February 1, 2020, \$0.051 lower than the prior week's price but \$0.201 more than a year ago.

Market/Index	2019 Close	Prior Week	As of 2/7	Weekly Change	YTD Change
DJIA	28538.44	28256.03	29102.51	3.00%	1.98%
Nasdaq	8972.60	9150.94	9520.51	4.04%	6.11%
S&P 500	3230.78	3225.52	3327.71	3.17%	3.00%
Russell 2000	1668.47	1614.06	1656.78	2.65%	-0.70%
Global Dow	3251.24	3161.86	3252.04	2.85%	0.02%
Fed. Funds target rate	1.50%-1.75%	1.50%-1.75%	1.50%-1.75%	0 bps	0 bps
10-year Treasuries	1.91%	1.52%	1.57%	5 bps	-34 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Job growth soared in January with the addition of 225,000 new jobs. The average monthly gain of new jobs added in 2019 was 175,000. Notable job gains last month occurred in construction, health care, and transportation and warehousing. The unemployment rate inched up 0.1 percentage point to 3.6%, representing 5.9 million unemployed persons (5.8 million unemployed in December). The labor force participation rate edged up by 0.2 percentage point to 63.4%. The employment-population ratio, at 61.2%, changed little over the month but was up by 0.5 percentage point over the year. In January, average hourly earnings rose by \$0.07 to \$28.44. Over the past 12 months, average hourly earnings have increased by 3.1%. The average workweek was unchanged at 34.3 hours in January.

Key Dates/Data Releases

2/11: JOLTS

2/12: Treasury budget

2/13: Consumer Price Index

2/14: Retail sales, import and export prices, industrial production

- January has gotten off to a slow start in the manufacturing sector, at least according to one purchasing managers' survey. The latest IHS Markit U.S. Manufacturing PMI™ fell in January on the heels of a drop in export orders. At the same time, the pace of growth for new orders was the softest in three months, prompting firms to exercise greater hesitancy in relation to hiring additional staff, with workforce numbers rising only slightly and at the slowest pace in four months.
- It is not uncommon for the leading manufacturing surveys to post conflicting results, as was the case in January. According to the Manufacturing ISM® Report On Business®, purchasing managers were more upbeat relative to the manufacturing sector in January, evidenced by a 3.1 percentage point increase in the purchasing managers' index. Survey respondents also reported an increase in new orders, production, hiring, new export orders, and prices — not entirely in line with the survey results from Markit's report.
- The services sector continued to expand in January, according to the latest Non-Manufacturing ISM® Report On Business®. Survey respondents reported growth in business activity and new orders. On the other hand, hirings and prices each fell in January compared to December.
- The goods and services deficit was \$48.9 billion in December, up \$5.2 billion (11.9%) from \$43.7 billion in November, revised. Exports (\$209.6 billion) were up 0.8%, and imports (\$258.5 billion) increased 2.7%. For 2019, the goods and services deficit decreased \$10.9 billion, or 1.7%, from 2018. Exports decreased \$1.5 billion, or 0.1%. Imports decreased \$12.5 billion, or 0.4%. Reflective of the trade war, the United States deficit with China in 2019 decreased \$73.9 billion to \$345.6 billion.
- For the week ended February 1, there were 202,000 claims for unemployment insurance, a decrease of 15,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended January 25. The advance number of those receiving unemployment insurance benefits during the week ended January 25 was 1,751,000, an increase of 48,000 from the prior week's level.

Eye on the Week Ahead

The latest inflationary indicators are available this week, including January's Consumer Price Index. The retail sales report will provide last month's figures on consumer spending at retail and food services stores. The Federal Reserve releases its report on the government's budget for January. The December government budget deficit was \$13.3 billion.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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