



DECEMBER 2018

November saw additional pressure on the broad stock market indices before having a late month post-Thanksgiving rally where the market, as measured by the Standard and Poor's 500 Index, rallied back 4.85% in the last week of the month.

MARKETS SEE PRESSURE BUT ADVANCE IN NOVEMBER

During the month of November, the domestic equity Standard and Poor's 500 Index benchmark saw added pressure. By Thanksgiving, nearly all of the accumulated gains for the year had been erased. However, Thanksgiving gave way for a month-end relief rally for which we can all be grateful.

The late-November rally is largely being attributed to Federal Reserve Chairman Jerome Powell's speech which eased fears of a more aggressive policy on interest rate hikes. The central bank has already raised short term rates three times this year, and another rate hike is expected in December. Powell had previously commented on October 3rd that the short-term target federal funds rate of 2.00% to 2.25% was *a long way from neutral*. Powell's comments, were much to the ire of, and drew harsh criticism from, President Trump. The commentary also brought uncertainty and speculation of more aggressive Fed policy all leading to market concerns and subsequent volatility over the past few months.

Powell's most recent speech indicated that rates are "just below" neutral. These comments calmed fears about a more aggressive path to higher rates and sparked a rally across markets leading to the strongest week for the Standard and Poor's 500 Index in seven years. As such, all three major domestic equity benchmarks (Dow Jones's Industrial Average, NASDAQ, and Standard and Poor's 500 Index) finished the month in the positive and reclaimed some gains for the year.

We are looking for the end-of-November rally to have set the stage for a strong December to reclaim some of what markets gave back in the Fall. With the retail sector seeing nearly one-third of annual sales between Black Friday and Christmas, we are hoping that strong consumer sentiment and a record breaking kick-off to the holiday shopping season (\$7.9 Billion in revenue making Cyber Monday the highest ecommerce sales day in US history) will keep markets on track in December.

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LAST MONTH'S KEY ECONOMIC DATA

EMPLOYMENT

Total employment rose by 250,000 in October after adding 180,000 (revised) new jobs in September. The average monthly gain over the last 12 months is 211,000. The unemployment rate was unchanged for the month at 3.7%. The number of unemployed persons rose slightly to 6.1 million. The labor participation rate was up slightly at 62.9%. Average hourly earnings also increased by \$0.05 to \$27.29. Over the last 12 months, average hourly earnings have risen by \$0.83, or 3.1%.

FOMC/INTEREST RATES

The Federal Open Market Committee did not raise rates in November, the target Fed Funds rates remains at 2.00% to 2.25%.

GDP

The initial GDP showed the economy expanded at an annualized rate of 3.5% in during the third-quarter. Second-quarter GDP figures were at 4.2%.

INFLATION AND CONSUMER SPENDING

Inflationary pressures are low and consumer spending remains strong.

The *Consumer Price Index* rose 0.3% in October. Over the last 12 months ended in October, consumer prices are up 2.5%. Core prices, which exclude food and energy, climbed 0.2% for the month and are up 2.1% over the 12 months ended in October.

According to the *Producer Price Index*, the prices companies receive for goods and services jumped 0.6% in October. Producer prices have increased 2.8% over the 12 months ended in October. Prices less food and energy also gained 0.5% in October and are up 2.6% over the last 12 months.

HOUSING

New home sales fell 8.9% in October and are down 12.0% from last October's estimates. The median price for new house sales in October was \$309,700. October's average sale price was \$395,000. Year over year existing home sales are down 5.1%.

MANUFACTURING

Industrial production advanced 0.1% in October, its fourth consecutive monthly increase. For the year, industrial production has advanced 4.1%.

IMPORTS AND EXPORTS

The advance report on international trade in goods revealed that the trade gap expanded in October to \$77.2 billion. Prices for imported goods rose 0.5%. Export prices were unchanged for the month. Over the last 12 months ended in October import prices are up 3.5%, while export prices are up 3.1%.

INTERNATIONAL MARKETS

The British pound remains at historically low levels on ongoing Brexit concerns. The next milestone for the Brexit come son December 11 when the UK Parliament votes on the proposed agreement to leave the EU. On the US-China front, President Trump and President Xi Jinping are set to meet at the G20 summit on the heels of Trump threatening additional tariffs on Chinese imports if the meeting does not produce a favorable outcome for the United States.

CONSUMER CONFIDENCE

Consumer confidence, as measured by The Conference Board Consumer Confidence Index®, declined slightly in November



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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. Practical Ecommerce Sales Report 2018 Thanksgiving, Black Friday, Cyber Monday