

MONTHLY MARKET REPORT

FEBRUARY 2019

U.S. MARKETS

A change in tone by the Federal Reserve and a solid start to earnings season sparked a stunning reversal in investor sentiment and ignited a sharp rally to begin the new year.

The Dow Jones Industrial Average gained 7.2 percent, while the Standard & Poor's 500 Index added nearly 8 percent. The NASDAQ Composite led, climbing 9.7 percent.¹



Don't judge each day by the harvest
you reap but by the seeds you plant.

Robert Louis Stevenson, Novelist & Poet

With December losses still fresh on investors' minds, stock prices stumbled out of the gate following Apple's revised downward earnings, due to a slowdown in China sales.

A MORE FLEXIBLE FED

However, stocks quickly found firmer footing on a blowout employment report and the news that China trade talks would restart, setting the groundwork for a January rebound.

Investor spirits were further buoyed by words from Fed Chair Jerome Powell. Powell indicated the Fed would be flexible with its policies and listen more closely to what the markets were communicating about future economic growth.

GUIDANCE ADDS FUEL

Commerce Secretary Wilbur Ross caused a brief stall in the market's upward momentum when he stated that Washington and Beijing are "miles and miles" from resolving their trade dispute. Ross' comments coincided with a growing concern that

the partial federal government shutdown would soon have a material effect on economic growth.

Stocks dropped further following the mid-December Federal Open Market Committee meeting in which policymakers raised short-term rates 0.25 percent. The markets struggled to manage expectations when Fed Chair Jerome Powell indicated the Fed was staying its course with two more potential hikes in short-term interest rates for 2019.²

SECTOR SCORECARD

All industry sectors closed out the month in positive territory, with gains in Communication Services (+7.52 percent), Consumer Discretionary (+10.04 percent), Consumer Staples (+3.66 percent), Energy (+11.08 percent), Financials (+10.13 percent), Health Care (+5.04 percent), Industrials (+12.06 percent), Materials (+8.10 percent), Real Estate (+9.89 percent), Technology (+8.06 percent), and Utilities (+1.15 percent).³

U.S. Market Recap for January 2019



S&P 500	NASDAQ	Russell 1000	10-Year Treasury
↑ 7.87%	↑ 9.74%	↑ 8.24%	↑ 2.63%
January	January	January	January
↑ 7.87%	↑ 9.74%	↑ 8.24%	↑ 0.06%
Year-to-Date	Year-to-Date	Year-to-Date	Year-to-Date

Yahoo Finance, January 31, 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. 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.

WHAT INVESTORS MAY BE TALKING ABOUT IN MARCH

Investors are expected to keep an eye on two important dates in the month ahead.

The first is March 1st. That's the 90-day deadline set by President Trump for a trade deal with China. If nothing is reached, the U.S. may consider a new round of tariffs.

The decision on new tariffs may hinge on how much progress has been made toward an agreement. If talks falter, China may follow with tariffs, reigniting the same trade fears that contributed to the 2018 market volatility.

The second deadline to watch is March 29th, when the U.K. is scheduled to exit the European Union.

A BREXIT ECONOMY

On January 15, the British Parliament rejected Prime Minister May's proposal of a more orderly withdrawal from the European Union. The motion was rejected, which increases the prospects of a hard Brexit. (A hard Brexit would withdraw Britain from the E.U. without a transition agreement.)

A hard Brexit may cause the world's fifth largest economy to slip into recession territory. With the economy of Germany and Japan slowing, and China's economy decelerating, trouble in the U.K. may heighten investors' anxiety over global economic growth.

WORLD MARKETS

Overseas markets mimicked U.S. stocks this month, as easing trade tensions and unchanged U.S. interest rates outweighed economic weakness and further Brexit uncertainty. For the month, the MSCI-EAFE Index rose 5.5 percent.⁴

European markets moved higher, with Germany posting the best showing. The U.K. notched a solid 3.7 percent gain, with France picking up 5.5 percent.⁵

Despite new indications of economic weakness in China, Pacific Rim markets managed to advance. Hong Kong rose 8.1 percent, while Australia rose 3.9 percent, and Japan picked up 3.8 percent.⁶

World Market Recap for January 2019



EMERGING MARKETS	JANUARY	YEAR-TO-DATE
Hang Seng (China)	↑ 8.1%	↑ 8.1%
Kospi (Korea)	↑ 8.0%	↑ 8.0%
Nikkei (Japan)	↑ 3.8%	↑ 3.8%
Sensex (India)	↑ 0.5%	↑ 0.5%
Jakarta Composite (Indonesia)	↑ 5.5%	↑ 5.5%
Bovespa (Brazil)	↑ 10.8%	↑ 10.8%
IPC All-Share (Mexico)	↑ 5.6%	↑ 5.6%
Merval (Argentina)	↑ 18.5%	↑ 18.5%
ASX 200 (Australia)	↑ 3.9%	↑ 3.9%
EUROPE		
DAX (Germany)	↑ 5.8%	↑ 5.8%
CAC 40 (France)	↑ 5.5%	↑ 5.5%
Dow Jones Russia Index (Russia)	↑ 13.6%	↑ 13.6%
FSTE 100 (Great Britain)	↑ 3.7%	↑ 3.7%

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INDICATORS

GROSS DOMESTIC PRODUCT

The release of fourth-quarter GDP data was delayed due to the partial federal government shutdown.

EMPLOYMENT

Nonfarm payrolls rose by 312,000 in December, blowing past the consensus estimate of a 176,000 increase.

Wage growth accelerated, rising 0.4 percent in December and ending the year with a 3.2 percent gain-the highest calendar-year jump since 2008.

The unemployment rate rose 0.2 percentage points to 3.9 percent. The gain largely reflects an increase in the labor force participation rate, which suggests Americans continue to move off the sidelines in search of employment.⁷

RETAIL SALES

Retail sales numbers were not released due to the partial federal government shutdown.

INDUSTRIAL PRODUCTION

The nation's industrial output increased by 0.3 percent from the previous month and by 4.0 percent over December 2017.⁸

HOUSING

Housing starts data was not released due to the partial federal government shutdown.⁹ December new home sales data was not released due to the partial federal government shutdown. The delayed November new home sales report was released, showing a 16.9 percent jump over October, but down 7.7 percent from November 2017 levels.¹⁰

CONSUMER PRICE INDEX

The prices of consumer goods fell 0.1 percent in December as gasoline prices dropped sharply. With this decline, the inflation rate for the last 12 months came in at 1.9 percent. This marks the first time annual inflation has been under 2.0 percent since August 2017.¹¹

DURABLE GOODS ORDERS

Durable goods orders data was not released due to the partial federal government shutdown.

THE FED

The minutes from the two-day Federal Open Market Committee meeting were released on January 30. The minutes reflected a more cautious and patient Fed when looking to future interest rate hikes.

Citing a muted inflationary environment and troubling global economic growth signals, committee members suggested that the Fed could afford to exercise patience and flexibility in regard to any further monetary tightening.¹²

BY THE NUMBERS

SLEEP

7-9₁₃

Number of hours of nightly sleep recommended for adults

7 HOURS AND 12 MINUTES₁₄

Average amount of sleep adults get

AT LEAST 50 MILLION₁₃

Share of Americans who have some kind of sleep disorder

39.5 MILLION₁₆

Population of California

48%₁₃

Percent of Americans who snore

38%₁₃

Percent who admitted to falling asleep accidentally at least once in the prior month

NEW ZEALAND₁₅

Country where people get the most sleep

JAPAN₁₅

Country where they get the least

\$1,200 TO \$3,100 PER EMPLOYEE ₁₇

How much fatigued workers cost employers in declining job performance per year

6 IN 10 ₁₇

Share of night shift and night transportation workers who are short on sleep

30%₁₇

How much the risk of safety incidents increases during night shifts

29%₁₈

Percent of all workers who admit becoming very sleepy or falling asleep at work

34%₁₈

Percent of increased productivity that may come from a 20 minute "power nap"

\$29 BILLION₁₉

Size of the sleep-aid business in the U.S. in 2018

\$1.6 BILLION₁₉

Amount Americans spend each year on sleep pillows

4,700₁₉

Number of sleep labs used to diagnose sleep disorders across the country

7,200₂₀

Number of Burger King restaurants

4-6₁₈

Average number of dreams most people have per night

FALLING, BEING CHASED, LOSING TEETH ₂₁

Among the most common recurring dreams

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Please consult your financial advisor for additional information.

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