

MONTHLY MARKET REPORT

JANUARY 2019

US MARKETS

A steep drop in investor sentiment, exacerbated by programmatic selling, sent stocks lower in December, resulting in deep losses across the major market indices.

The Dow Jones Industrial Average dropped 8.7 percent, and the Standard & Poor's 500 Index fell 9.2 percent. The NASDAQ Composite declined 9.45 percent.¹



It's not whether you get knocked down; it's whether you get up.

Vince Lombardi, U.S. football player, coach, and 1971 NFL Hall of Fame inductee.

The stock market opened the month higher on news from the G20 summit meeting that suggested trade tensions between the U.S. and China might be easing. But the enthusiasm was short-lived amid conflicting signals over the discussion between President Trump and Chinese President Xi.

NO SANTA

As the month progressed, worries about the ongoing trade dispute and a global economic slowdown added to negative investor sentiment. With the month half over and hopes for a "Santa Claus Rally" fading, the stock market ignored positive developments, such as China's steps to reduce trade tensions by announcing soybean purchases and lowering auto tariffs.

FED DISAPPOINTS

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.

BREATH TAKING VOLATILITY

Holiday market action led to a breathtaking rollercoaster ride as the Dow lost over 600 points on Christmas Eve, then soared 1,000 points the day after and the S&P 500 ended the year lower. This was the first drop since 2008 for the S&P 500.²

SECTOR SCORECARD

Every industry sector retreated in December, with losses in Communication Services (-8.26 percent), Consumer Discretionary (-9.05 percent), Consumer Staples (-9.39 percent), Energy (-13.30), Financials (-12.82 percent), Health Care (-8.97 percent), Industrials (-11.18 percent), Materials (-7.36 percent), Real Estate (-7.61 percent), Technology (-9.65 percent), and Utilities (-3.59 percent).³

U.S. Market Recap for December 2018



S&P 500	NASDAQ	Russell 1000	10-Year Treasury
↓ -9.18%	↓ -9.48%	↓ -9.26%	↓ 2.69%
October	October	October	October
↓ -6.24%	↓ -3.88%	↓ -6.58%	↓ 0.29%
Year-to-Date	Year-to-Date	Year-to-Date	Year-to-Date

Yahoo Finance, December 31, 2018. 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 JANUARY

The curtain will soon rise on the fourth-quarter earnings season, and the results are expected to impact investors' outlook for 2019.

Wall Street estimates for 2019 are at a record high for S&P 500 companies.⁴ Despite this, some analysts have trimmed growth estimates for S&P 500 companies to 8.2 percent, down from 10.2 percent two months ago.⁵ Some analysts are forecasting more modest growth in the 3-4 percent range.⁶ Leading concerns are interest rates, the trade outlook, and global economic growth.

WORLD MARKETS

Overseas equities suffered smaller declines than those experienced by U.S. stocks, with the MSCI-EAFE Index sliding 5.4 percent.⁷

Trade tensions, political uncertainty, and economic weakness drove broad declines in France, Germany, and the U.K.⁸

Pacific Rim markets were generally more resilient, with smaller losses in Australia and Hong Kong. Japan was among the weakest of the major international markets, losing 10.5 percent in December.⁹

World Market Recap for December 2018



EMERGING MARKETS	OCTOBER	YEAR-TO-DATE
Hang Seng (China)	↓ -2.5%	↓ -13.6%
Kospi (Korea)	↓ -2.7%	↓ -17.3%
Nikkei (Japan)	↓ -10.5%	↓ -12.1%
Sensex (India)	↓ -0.3%	↑ 5.9%
Jakarta Composite (Indonesia)	↑ 2.3%	↓ -2.5%
Bovespa (Brazil)	↓ -1.8%	↑ 15.0%
IPC All-Share (Mexico)	↓ -0.2%	↓ -15.6%
Merval (Argentina)	↓ -3.8%	↑ 1.1%
ASX 200 (Australia)	↓ -0.4%	↓ -6.9%
EUROPE		
DAX (Germany)	↓ -6.2%	↓ -20.0%
CAC 40 (France)	↓ -5.5%	↓ -11.0%
Dow Jones Russia Index (Russia)	↓ -5.1%	↓ -7.4%
FSTE 100 (Great Britain)	↓ -3.7%	↓ -12.6%

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INDICATORS

GROSS DOMESTIC PRODUCT

Third-quarter economic growth was revised slightly lower, from 3.5 percent to 3.4 percent.¹⁰

EMPLOYMENT

The labor market remained strong, adding 155,000 nonfarm jobs in November and keeping the unemployment rate unchanged at 3.7 percent. Year-over-year wage growth came in at 3.1 percent, a growth rate that matched last month's 12-month increase.¹¹

RETAIL SALES

Retail sales rose 0.2 percent from the prior month and 4.2 percent higher from November of last year.¹²

INDUSTRIAL PRODUCTION

Aided by a jump in utility usage due to a frigid month, industrial production picked up 0.6 percent. Output at U.S. factories was flat.¹³

HOUSING

Housing starts increased 3.2 percent in November. Year-to-date, housing starts are up by 5.1 percent vs. the first 11 months of last year.¹⁴

Sales of existing homes rose 1.9 percent compared to the previous month's sales, but suffered its worst year-over-year decline since May 2011, falling 7.0 percent.¹⁵

The report on new home sales was not issued due to the partial shutdown of the federal government.

CONSUMER PRICE INDEX

The price of consumer goods was flat from the previous month, due primarily to a broad decline in oil prices. Core inflation — not including the more volatile food and energy categories — rose 0.2 percent.¹⁶

DURABLE GOODS ORDERS

Orders for long-lasting goods rose 0.8 percent, but a jump in aircraft orders offset weaknesses in other manufacturing sectors.¹⁷

THE FED

At the conclusion of its two-day meeting on December 19, the Fed unanimously elected to raise the federal funds rate by 0.25 percent.

This signaled that Fed Chair Powell was staying his proposed course, bringing caution to investors and stocks to drop as news broke of two more potential short-term interest rate hikes in 2019.

Finally, the Fed's economic outlook was revised with expectations of some slowdown in economic growth and less inflation.¹⁸

BY THE NUMBERS

RAISING CHILDREN

\$451,944₁₈

Cost to raise a child from birth to age 18 in the United States

\$25,108₁₈

Cost per year

\$6,934₁₈

Annual cost for housing

\$2,807₁₈

Annual cost for food

\$3,289₁₈

Annual cost for transportation

\$1,410₁₈

Annual cost for clothing

\$2,007₁₈

Annual cost for healthcare

\$6,566₁₈

Annual cost for childcare and education

84%₁₉

Percent of parents who say college is an investment for the future

67%₂₀

Share of high school graduates who go on to college

\$35,256/YEAR₂₁

Average salary for individuals with only a high school diploma

\$35,256/YEAR₂₁

Average salary with a bachelor's degree

\$69,732₂₁

Average salary with a master's degree

\$84,396₂₁

Average salary with a doctorate degree

10₂₂

Number of hours each week mothers spent caring for children 50 years ago

14₂₂

Number of hours they spend today

2.5₂₂

Number of hours each week fathers spent caring for children 50 years ago

8₂₂

Number of hours they spend today

85%₂₃

Percent of child sports coaches who are fathers coaching their own kids

37%₂₄

Percent of kids ages 6-12 who play a team sport regularly

36%₂₅

Share of those families who spend more than \$500 a month per child on athletics

19%₂₅

Share who spend more than \$1,000 a month

757,000₂₅

Number of jobs that make up the recycling and reuse industry in the U.S.

\$36 BILLION₂₅

Amount of money recycling jobs pay in wages each year

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Please consult your financial advisor for additional information.

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