FUSCO FINANCIAL ASSOCIATES
PRIVATE WEALTH MANAGEMENT

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Market Week: October 1, 2018

The Markets (as of market close September 28, 2018)

Rising interest rates and ramped-up trade wars put a damper on stocks last week. While not unanticipated, the Fed raised the federal funds target rate 25 basis points and intimated that another hike is likely for December. On the trade front, the United States imposed tariffs of 10% on $200 billion worth of Chinese goods, prompting the Chinese government to threaten tariffs on $60 billion of U.S. imports. As was the case the prior week, the benchmark indexes listed here ended last week with mixed returns. The tech-heavy Nasdaq posted solid gains while the remaining indexes suffered losses, led by the Dow and Global Dow, each of which fell more than 1.0%.

The price of crude oil (WTI) continued to surge, closing at $73.53 per barrel by late Friday, up from the prior week's closing price of $70.71 per barrel. The price of gold (COMEX) fell, closing at $1,195.20 by early Friday evening, down from the prior week's price of $1,203.30. The national average retail regular gasoline price was $2.844 per gallon on September 24, 2018, $0.003 higher than the prior week's price and $0.261 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 9/28	Weekly Change	YTD Change
DJIA	24719.22	26743.50	26458.31	-1.07%	7.04%
Nasdaq	6903.39	7986.96	8046.35	0.74%	16.56%
S&P 500	2673.61	2929.67	2913.98	-0.54%	8.99%
Russell 2000	1535.51	1712.32	1696.57	-0.92%	10.49%
Global Dow	3085.41	3155.23	3121.54	-1.07%	1.17%
Fed. Funds target rate	1.25%-1.50%	1.75%-2.00%	2.00%-2.25%	25 bps	75 bps
10-year Treasuries	2.41%	3.06%	3.06%	0 bps	65 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 Headlines

- For the third time this year, the Fed raised interest rates while projecting another rate hike in December. Last week, the Federal Open Market Committee increased the target range for the federal funds rate 25 basis points to 2.00%-2.25%, marking its highest level since April 2008. In support of its decision, the Committee highlighted ongoing strengthening in the economy, labor, household spending, and business fixed investment. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2% objective. Of particular interest is the fact that the Committee apparently doesn't see its policy as "accommodative," language that had been included in several past statements. This change in language could mean the Committee views the current interest rate policy as closing in on the level estimated to sustain full employment and the Fed's

Key Dates/Data Releases

10/1: PMI Manufacturing Index, ISM Manufacturing Index

10/3: ISM Non-Manufacturing Index

10/5: Employment situation, international trade

2.0% inflation target, instead of stimulating the economy.

- The third and final estimate of the second-quarter gross domestic product came in at a strong 4.2% annualized rate of growth — its fastest pace in almost four years. The GDP grew at an annualized rate of 2.2% in the first quarter. Driving growth in the GDP for the second quarter was increased consumer spending (which accounts for about 75% of economic output), exports, and federal and state government spending.
- Consumer income and spending continue to surge, while prices for goods and services remain stagnant, according to the latest report from the Bureau of Economic Analysis. In August, both pre-tax and after-tax consumer income rose 0.3% — the same increase seen in July. After climbing 0.4% in July, consumer spending advanced 0.3% in August. On the other hand, inflation at the consumer level was weak, as prices for goods and services inched ahead 0.1% while core prices (excluding food and energy) showed no increase compared to July.
- Sales of new homes picked up the pace in August after lagging for several months. Sales increased by 3.5% over their July rate. Helping spur the market was increasing inventory and falling prices. The estimate of new homes for sale at the end of August was 318,000, representing a supply of 6.1 months. The median sales price fell to $320,200 in August, down from July's median price of $328,100. August's average sales price was $388,400, off slightly from the $389,000 average price in July.
- New orders for durable goods expanded at a rate of 4.5% in August. The increase was largely driven by a huge jump in the sale of civilian aircraft. Excluding aircraft, new orders for nondefense capital goods actually slipped 0.5%. Excluding transportation, durable goods orders increased only 0.1% in August over July.
- The international trade in goods deficit expanded in August by 5.3% over July. Exports of goods dropped $2.3 billion, or 1.6%, for the month. Imports increased 0.7%, or $1.5 billion, more in August than July. We may be seeing the effects of the tariff wars curtailing export trade and pushing imports higher.
- In the week ended September 22, the advance figure for seasonally adjusted initial claims for unemployment insurance was 214,000, an increase of 12,000 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 September 15. The advance number of those receiving unemployment insurance benefits during the week ended September 15 was 1,661,000, an increase of 16,000 from the prior week's level. This is the lowest level for insured unemployment since November 10, 1973, when it was 1,673,000.

Eye on the Week Ahead

September's employment figures come out this week. Wage growth was prominent in August but may not be quite as strong in September.

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. Market indices listed are unmanaged and are not available for direct investment.

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