FIDELITY BANK WEALTH MANAGEMENT

# FINANCIAL MARKET UPDATE
1/11/19

## THE WEEK IN REVIEW

The January effect, whereby stocks rally in the first weeks of the year following tax loss selling in December, may have materialized in recent days given the S&P 500's five-day winning streak beginning January 4. Since the worst Christmas Eve performance in its history, the S&P 500 has returned gains slightly higher than 10% through today's close, with a year-to-date gain of 3.6%. The technology-heavy Nasdaq and the Dow Jones Industrial Average have also followed suit with year-to-date returns of 5.1% and 2.9%, respectively.

The gains we have seen so far this year for the major indexes have also been driven by recent positive news coming from the U.S.-China trade talks and a more dovish tone from Federal Reserve policymakers. Although the negotiations this week in Beijing between mid-level U.S. and Chinese trade officials appeared to have made some progress, there are no signs that a significant breakthrough has been reached, and further discussions are still needed to resolve the simmering trade dispute.

Federal Reserve officials acknowledged that the policy path ahead is "less clear" after approving an interest rate hike at their most recent meeting. Minutes released from the Federal Open Market Committee (FOMC) gathering in December showed the rate hike came with reluctance from a few members who thought the lack of inflationary pressures argued against another increase. The officials agreed that "some further gradual increases" in the benchmark rate would be appropriate, but cut their expected moves this year from four to two, citing a range of concerns about growth and volatility in the markets.

U.S. consumer prices declined in December from November and wages rose, a sign low gasoline prices and stronger earnings are putting more money in Americans' pockets. The Consumer Price Index (CPI) fell a seasonally adjusted 0.1% last month after posting no change in November, according to the Labor Department. This marked the first decline in consumer prices since March 2018 amid a plunge in the cost of gasoline. Yet, underlying inflation pressures remained firm as rental housing and healthcare costs rose steadily. Excluding the volatile food and energy components, the so-called core CPI increased 0.2% in December, advancing by the same margin for a third straight month. During the calendar year of 2018, core CPI increased 2.2%, following increases of 1.8% in 2017 and 2.2% in 2016.

| ECONOMIC INDICATOR | LATEST | 3MO PRIOR | CHANGE |
|---|---|---|---|
| ISM Non-Manufacturing | 57.6 | 61.6 | ▼ |
| NFIB Small Business Optimism | 104.4 | 107.9 | ▼ |
| JOLTS Job Openings (Millions) | 6.888 | 7.293 | ▼ |
| Core Consumer Price Index (YoY) | 2.2% | 2.2% | - |

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|---|---|---|---|---|
| DJ Industrial Average | 23995.95 | 2.40% | 2.87% | -6.17% |
| NASDAQ | 6971.48 | 3.45% | 5.07% | -3.33% |
| S&P 500 Large Cap | 2596.26 | 2.54% | 3.57% | -6.19% |
| MSCI EAFE | 1787.05 | 2.90% | 3.91% | -15.43% |
| Barclays Aggregate US | 2046.72 | -0.21% | 0.01% | 0.49% |

| KEY BOND RATES | CURRENT | 1WK AGO | 1MO AGO | 1YR AGO |
|---|---|---|---|---|
| 3-Month T-Bill | 2.41% | 2.41% | 2.39% | 1.43% |
| 10-Year Treasury | 2.70% | 2.67% | 2.88% | 2.54% |

| REPORTS DUE NEXT WEEK | LATEST |
|---|---|
| New Home Sales (Thousands Annualized) | 544 |
| Retail Sales (Less Autos YoY) | 4.9% |
| Housing Starts (Millions Annualized) | 1.256 |
| U. of Mich. Consumer Sentiment | 98.3 |

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.