

The Markets (as of market close January 17, 2020)

Each of the benchmark indexes listed here enjoyed strong gains last week, led by the Russell 2000, which climbed 2.53% to push its year-to-date gains to nearly 2.0%. The Dow has posted weekly gains for five of the last six weeks, the S&P 500 advanced for the second consecutive week, and the Nasdaq has risen for six straight weeks. A strong housing starts report helped push stocks higher. But investors were most encouraged by advances on the trade front with Congress passing a revised trade deal between the United States, Canada, and Mexico, which was followed by last Thursday's signing of the first phase of a trade agreement between the United States and China.

Oil prices dropped again last week, closing at \$58.73 per barrel by late Friday afternoon, down from the prior week's price of \$59.14. The price of gold (COMEX) fell for the first time in several weeks, closing at \$1,556.80 by late Friday afternoon, off from the prior week's price of \$1,561.60. The national average retail regular gasoline price was \$2.570 per gallon on January 13, 2020, \$0.008 lower than the prior week's price but \$0.323 more than a year ago.

Market/Index	2019 Close	Prior Week	As of 1/17	Weekly Change	YTD Change
DJIA	28538.44	28823.77	29348.10	1.82%	2.84%
Nasdaq	8972.60	9178.86	9388.94	2.29%	4.64%
S&P 500	3230.78	3265.35	3329.62	1.97%	3.06%
Russell 2000	1668.47	1657.64	1699.64	2.53%	1.87%
Global Dow	3251.24	3260.65	3299.82	1.20%	1.49%
Fed. Funds target rate	1.50%- 1.75%	1.50%- 1.75%	1.50%- 1.75%	0 bps	0 bps
10-year Treasuries	1.91%	1.82%	1.83%	1 bps	-8 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 News

- The federal government incurred a \$13 billion deficit in December, effectively the same shortfall as in December 2018. Year-to-date, the federal deficit sits at \$357 billion, 12% higher than the deficit over the same period a year earlier. Total government receipts through December were \$806 billion (\$771 billion last fiscal year) and total government expenditures were \$1.163 billion (\$1.090 billion last year). There are some important budgetary line items to note through the first three months of the government's fiscal year (FY 2020 started in October 2019). Individual income taxes (\$385 billion) accounted for 47.7% of total government receipts, followed by social insurance (\$290 billion) at 35.9%. Those two line items combined represent 83.6% of the government's total receipts. The government spent \$266 billion on Social Security, which accounted for almost 22.8% of total government expenditures. This expense was followed closely by the \$196 billion spent on national defense (16.8%) and the \$166 billion outlay for Medicare (14.2%). Lastly, customs duties provided \$21 billion in receipts, or 2.6% of total receipts. However, customs duties are up 18.6% over last year, likely a reflection of the increased tariffs on Chinese imports.
- Consumer prices rose 0.2% in December following a 0.3% jump in November. Over the last 12 months, consumer prices have increased 2.3%, the largest 12-month increase since the period ended October 2018. Driving the monthly price increase was a 2.8% hike in gasoline prices (up 7.9% since December 2018). Consumer prices less food and energy crept up 0.1% last month and are up 2.3% over the last 12 months.
- Producer prices edged up 0.1% in December, the first increase since jumping ahead 0.4% in October. Overall, producer prices rose 1.3% in 2019 after climbing 2.6% in 2018. Prices less foods, energy, and trade services inched up 0.1% in December following no change in November. In 2019, the index for final demand less foods, energy, and trade services climbed 1.5% after advancing 2.8% in 2018. For December, much of the increase in producer prices was driven by a 1.5% increase in

energy prices (gas prices advanced 3.7% in December), while prices for goods fell 0.2%.

- Consumers ramped up their purchases at the retail level in December as sales increased by 0.3% from November's total. Retail sales are up 5.8% over December 2018, and total sales for 2019 are 3.6% ahead of sales for the previous year. Retail trade sales (resales of consumer items) were up 0.4% from November 2019 and 6.0% above last year. Nonstore (online) retail sales were up 19.2% from December 2018, and gasoline station sales were up 11.3% from last year.
- Import prices rose 0.3% in December after ticking up 0.1% in November. The December increase in import prices (the biggest monthly gain since March) was largely driven by increasing fuel prices. Prices for imports rose 0.5% in 2019 after decreasing 0.9% in 2018. The 12-month advance in December was the largest over-the-year increase since the index rose 0.7% between November 2017 and November 2018. Prices for import fuel increased 19.3% in 2019 following a 13.1% drop the previous year. Export prices fell 0.2% last month following a 0.2% advance in November. Prices for exports declined 0.7% in 2019 following a 1.1% increase in 2018. The 2019 drop was the first calendar-year fall since the index declined 6.6% in 2015.
- December's building permits were 3.9% below November's totals, but are 5.8% over December 2018. The last month of the year saw plenty of new construction as housing starts rose 16.9% above November's estimate and finished 2019 40.8% over the December 2018 rate. Single-family housing starts in December were 11.2% above the November totals. The inventory for new homes for sale to start 2020 should increase as housing completions in December were 5.1% over November's estimate, and 19.6% above the December 2018 rate.
- Industrial production declined 0.3% in December, as a decrease of 5.6% for utilities outweighed increases of 0.2% for manufacturing and 1.3% for mining. The drop for utilities resulted from a large decrease in demand for heating, as unseasonably warm weather in December followed unseasonably cold weather in November. Total industrial production was 1.0% lower in December than it was a year earlier.
- According to the latest Job Openings and Labor Turnover report, the number of job openings fell to 6.8 million (-561,000) on the last business day of November. The job

openings rate decreased to 4.3%. The largest decreases in job openings were in retail trade (-139,000) and construction (-112,000). Over the month, hires and separations were little changed at 5.8 million and 5.6 million, respectively. Over the 12 months ended in November, hires totaled 69.8 million and separations totaled 67.5 million, yielding a net employment gain of 2.3 million.

- For the week ended January 11, there were 204,000 claims for unemployment insurance, a decrease of 10,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended January 4. The advance number of those receiving unemployment insurance benefits during the week ended January 4 was 1,767,000, a decrease of 37,000 from the prior week's level, which was revised up by 1,000.

Eye on the Week Ahead

The holiday-shortened week comes with a dearth of major economic reports. December's existing home sales information is available this week. November's sales were down 1.7% from the prior month. Another drop in sales in December could pull 2019 total sales back to their 2018 levels.

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. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. 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. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six

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