MISSOURI
1300 NW Briarcliff Pkwy, Ste. 120
Kansas City, MO 64150
913.948.6770
816.399.0787

Weekly Market Update, February 25, 2019

Presented by **Bruce & Dawn Cramer**

General Market News

- Rates have risen slightly on the long end of the curve. The 10-year U.S. Treasury opened Monday at 2.67 percent, while the 30-year opened at 3.03 percent. The short end of the curve remained unchanged, with the 2-year starting the week at 2.50 percent.
- The three major U.S. stock indices were all up on the week. The continued push toward a U.S.-China trade deal, along with dovish signals from the January Federal Open Market Committee minutes, benefited stocks. Trade talks continued to progress, with Vice Premier Liu He agreeing to extend his visit, and President Trump offering to push back the tariff deadline of March 1. Turning to the Federal Reserve, last week's minutes indicated that most officials want to reduce the runoff of the balance sheet (which includes Treasury and debt securities) later this year.
- Emerging markets rebounded as a result of the continued dovish stance. This asset class typically contains U.S.-dollar-denominated debt, which is cheaper in lower rate environments. The same theme played out in the U.S.; utilities and materials were the two top-performing sectors on the week, as they are supported by lower interest levels on debt and a potentially higher inflationary environment. This did not translate over to energy, however, which lagged along with health care and financials.
- There were only a handful of major data releases during the holiday-shortened week. On Thursday, December's durable goods orders were released. Demand was weaker than expected, with 1.2-percent headline growth against expectations for 1.8 percent. The core figure, which strips out the effect of volatile transportation orders, grew by only 0.1 percent.
- Also on Thursday, January's existing home sales disappointed, with a drop of 1.2 percent. Economists had expected modest growth, but with this drop, existing home sales have now declined for four months in a row.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.65%	3.45%	11.74%	5.35%
Nasdaq Composite	0.78%	3.50%	13.63%	5.54%
DJIA	0.59%	4.41%	12.02%	6.71%
MSCI EAFE	1.65%	2.25%	8.97%	–6.11%
MSCI Emerging Markets	2.79%	0.94%	9.79%	–9.30%
Russell 2000	1.34%	6.13%	18.08%	5.33%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.15%	1.21%	3.65%
U.S. Treasury	0.02%	0.49%	3.85%
U.S. Mortgages	0.11%	0.90%	4.02%
Municipal Bond	0.45%	1.21%	4.10%

Source: Morningstar Direct

What to look forward to

This will be a busy week in terms of economic updates, as we continue to see the release of data that was delayed by the government shutdown. On Tuesday, December's housing starts are set to be released. Economists expect starts to decline slightly, from 1,256,000 in November to 1,250,000. Homebuilder confidence declined sharply in December, so it is possible that housing starts may decline by more than expected. But homebuilder confidence has rebounded to start the year, so any weakness in housing starts would likely be temporary.

On Thursday, the first estimate of fourth-quarter gross domestic product growth will be released. This measure of overall economic activity is expected to show solid 2.5-percent growth on an annualized basis. This result would be down from the 3.4-percent annualized rate we saw in the third quarter. The slowdown in the fourth quarter was partially driven by a slowdown in consumer spending at year-end, as December's retail sales suffered the biggest monthly drop since 2009. As was the case with homebuilders, consumers saw a large drop in confidence in December that likely lowered spending. Consumer confidence numbers have also bounced back to start the year, so this slowdown in consumer spending is likely not as bad as it seems.

Speaking of consumer spending, on Friday, we will see the release of January's personal income report and December's personal spending report. Both are expected to show moderate growth—with income expected to increase 0.3 percent and spending slated to rise by 0.2 percent. These would be solid results; however, both income and spending were growing at faster rates in the third quarter.

Finally, also on Friday, the Institute for Supply Management Manufacturing index is expected to decline slightly, from 56.6 in January to 56 in February. This is a diffusion index, where results greater than 50 indicate expansion. As such, this slight decline is not a pressing concern. Continued trade talks with China have helped bolster manufacturer confidence in the face of slowing global trade, so this continued positive sentiment is very welcome.

Please click the following link!* https://vimeo.com/channels/966267

Disclosures: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays U.S. Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million.*

Bruce & Dawn Cramer are financial advisors located at Cramer Capital Management 1300 NW Briarcliff Parkway, Suite 120, Kansas City, MO 64150. They offer securities and advisory services as Investment Adviser Representatives of Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Advisers. They can be reached at 913-948-6770 or at bruce@cramercapitalmanagement.com or dawn@cramercapitalmanagement.com

Authored by the Investment Research team at Commonwealth Financial Network.