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

Weekly Market Update, March 4, 2019
***Presented by* Bruce & Dawn Cramer**

General Market News

- Rates rose higher late last week, as the 10-year Treasury moved from 2.65 percent to 2.76 percent and opened at those levels on Monday. The 30-year Treasury came in at 3.11 percent, while parts of the short end of the curve remained inverted. The 2-year Treasury opened at 2.55 percent Monday, after being as low as 2.47 percent late last week.
- The three major U.S. indices were all up once again last week. The Nasdaq led the way, with technology among the three top-performing sectors, alongside energy and financials. Amazon, Microsoft, Alphabet, and Apple were among the top contributors for the S&P 500. These results reflected the return of flows into equities.
- The two major news stories last week were the U.S.'s agreement to delay its $200 billion March 1 tariff deadline with China and the testimony of Fed Chair Jerome Powell in front of the House and Senate. The market did not have a strong reaction, as the tariff deadline concession was widely expected. In addition, Chair Powell continued to preach patience to both sets of representatives. One takeaway from his testimony was that, as it now stands, he expects the central bank to end its balance sheet runoff in the later part of the year.
- Last week saw the release of a large number of economic data points. On Tuesday, December's housing starts and building permits were mixed, with starts declining by more than expected but permits increasing slightly. Also on Tuesday, the Conference Board consumer confidence survey came in much better than expected, with a reading of 131.4 against expectations for 124.9.
- On Wednesday, January's pending home sales rose by 4.6 percent, which was more than expected following a decline in December. On Thursday, the first estimate of fourth-quarter gross domestic product growth came in at 2.6 percent, which was above expectations but lower than the growth rate seen in the third quarter.
- Finally, on Friday, January's personal income report showed a decline of 0.1 percent against expectations for a slight increase. December's personal spending report also disappointed, with a decline of 0.5 percent to end the year.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.46%	0.69%	12.26%	6.81%
Nasdaq Composite	0.93%	0.83%	14.69%	6.93%
DJIA	0.07%	0.43%	12.10%	8.22%
MSCI EAFE	0.58%	0.26%	9.60%	–3.98%
MSCI Emerging Markets	–0.65%	0.06%	9.08%	–9.27%
Russell 2000	0.02%	0.89%	18.09%	6.89%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.20%	0.80%	2.68%
U.S. Treasury	–0.25%	–0.06%	2.61%
U.S. Mortgages	–0.15%	0.55%	3.11%
Municipal Bond	–0.08%	1.22%	3.92%

Source: Morningstar Direct

What to look forward to

This will be a busy week of economic data that should provide further insight on whether the recent spate of weak reports is likely to continue.

On Tuesday, the Institute for Supply Management's Nonmanufacturing index is expected to rise slightly, from 56.7 to 57.2, after a significant drop in recent months. This is a diffusion index, where values greater than 50 indicate expansion and less than 50 indicate contraction. So, this would be a very healthy figure.

On Wednesday, the international trade report is expected to show the trade deficit has worsened, going from $49.3 billion to $54.2 billion, after an improvement last month. Advance reports show that the goods deficit rebounded in December, as exports have continued to decline. If the data comes in as expected, this will be a headwind to fourth-quarter growth.

On Friday, the employment report is expected to decline from 304,000 in January to 185,000 in February. The unemployment rate likely will tick back down to 3.9 percent from 4 percent, while wage growth is expected to rebound from 0.1 percent to 0.3 percent. These results would provide more assurance that economic fundamentals are sound, despite recent weakness.

This week's data will also shed some light on the housing market. On Friday, the housing starts report is expected to show a rebound from 1.08 million to 1.18 million, annualized. While this recovery would be helpful, recent weakness has been widespread enough that it would suggest only stabilization.

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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.