

January 14, 2019

In this week's recap: the CPI decreases, a service sector activity index takes a fall, oil's rebound continues, and equities advance.

Weekly Economic Update

FOR THE FIRST TIME SINCE MARCH, INFLATION RETREATS

December brought a 0.1% decline in the Consumer Price Index, the first in nine months. As in November, cheaper gasoline was a factor: gas prices took a 7.5% monthly fall. The CPI advanced 1.9% across 2018. The core CPI, which excludes food and energy costs, rose 0.2% in December for a third consecutive month and gained 2.2% for the year. In short, yearly inflation is back in the vicinity of the Federal Reserve's 2.0% target.¹

SERVICE SECTOR GROWTH RATE SLOWS

The Institute for Supply Management said that its purchasing manager index service, tracking industry activity, descended to 57.6 in December, paralleling the dip of its factory sector PMI. While the decrease of 3.1 points was a disappointment, the new orders sub-index did rise slightly to 62.7, and the service sector expanded for the 107th straight month.²

OIL RECORDS ITS LONGEST DAILY WINNING STREAK IN 9 YEARS

Crude oil futures are no longer scraping near 52-week lows. WTI crude settled at \$51.59 on the New York Mercantile Exchange at Friday's close, up 7.6% for the week. A down day on Friday broke a 9-session streak of advances for the commodity, the longest seen since January 2010.³

BENCHMARKS RISE ON THE EVE OF EARNINGS SEASON

Investors were encouraged by hints of progress in U.S.-China trade negotiations last week and seemed unruffled by the ongoing shutdown of parts of the federal government. Across five

trading days, all three major Wall Street equity indices rose 2.4% or more, and both the S&P 500 and Dow Jones Industrial Average exited correction territory with the fourth-quarter reporting season just ahead. (See the table within this Weekly Economic Update for their Friday closes as well as weekly and YTD performances.)⁴

TIP OF THE WEEK



*Many people sign up for **credit cards** without looking at their interest rates and terms. Be sure to **read the fine print** when applying for a card.*

THIS WEEK

A new earnings season starts Monday as Citigroup presents Q4 results. | JPMorgan Chase, UnitedHealth Group, and Wells Fargo report earnings on Tuesday, and the December Producer Price Index also emerges. | Wednesday, Alcoa, Bank of America, BNY Mellon, Blackrock, Comerica, CSX, Goldman Sachs, PNC Financial Services Group, and U.S. Bancorp announce earnings, the Federal Reserve publishes a new Beige Book, and data on December retail sales arrives. | Thursday, earnings roll in from American Express, BB&T, KeyCorp, and Netflix; in addition, investors will consider a Census Bureau report on December housing starts and the latest initial jobless claims figures. | Regions Financial, Schlumberger, and SunTrust Bank offer earnings Friday, which is also when the University of Michigan provides its preliminary January consumer sentiment index.

QUOTE OF THE WEEK



*“Sometimes when you **innovate**, you make mistakes. It is best to admit them quickly, and get on with **improving** your other innovations.”*

STEVE JOBS

MARKET INDEX	CLOSE	WEEK	Y-T-D
DJIA	23,995.95	+2.40	+2.87
NASDAQ	6,971.48	+3.45	+5.07
S&P 500	2,596.26	+2.54	+3.57

TREASURY	CLOSE	WEEK	Y-T-D
10 YEAR NOTE	2.71	-0.04	+0.02

Sources: wsj.com, treasury.gov - 1/11/19^{5,6,7}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

Weekly and year-to-date market index returns are expressed as percentages. 10-year Treasury note yield = projected return on investment, expressed as a percentage, on the U.S. government’s 10-year bond. Weekly and year-to-date 10-year Treasury note yield differences are expressed in basis points.

THE WEEKLY RIDDLE



What speaks, also listens, and has ten digits yet no hands?

LAST WEEK'S RIDDLE: Bryn's mother and father have three kids. One is Kenzie, the second one is Carrie, who is the third?

ANSWER: Bryn.

Roger K. Harris may be reached at 303-698-7772 or roger@rkentharris.com
www.rkentharris.com

Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

Securities offered through Kestra Investment Services, LLC (Kestra IS), member FINRA/SIPC. Investment Advisory services offered through R. Kent Harris & Associates, LTD. Kestra Investment Services, LLC is not affiliated with R. Kent Harris & Associates, LTD. or any other entity listed.

This material is written and provided by Peter Montoya Inc. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. It is not guaranteed by Kestra Investment Services, LLC for accuracy does not purport to be complete and is not intended to be used as a primary basis for investment decisions. It should also not be construed as advice meeting the particular investment needs of any investor. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Neither R. Kent Harris & Associates, LTD. nor Kestra Investment Services, LLC are affiliated with Peter Montoya Inc.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (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. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

CITATIONS:

- 1 - cnbc.com/2019/01/10/consumer-price-index-december-2018.html [1/11/19]
- 2 - dailyfx.com/forex/market_alert/2019/01/07/ISM-Services-Index-Dec-2018.html [1/7/19]
- 3 - marketwatch.com/story/us-oil-prices-end-lower-to-snap-9-session-streak-of-gains-2019-01-11 [1/11/19]

- 4 - [marketwatch.com/story/stock-market-ends-session-flat-but-books-weekly-gains-as-government-shutdown-approaches-a-record-2019-01-11](https://www.marketwatch.com/story/stock-market-ends-session-flat-but-books-weekly-gains-as-government-shutdown-approaches-a-record-2019-01-11) [1/11/19]
- 5 - markets.wsj.com/ [1/11/19]
- 6 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield [1/11/19]
- 7 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll [1/11/19]