

January 7, 2019

In this week's recap: an impressive jobs report, a disappointing factory activity index, a slight recovery for oil, and some tailwinds on Wall Street.

Weekly Economic Update

2018 ENDED WITH A HIRING SURGE

The latest Department of Labor jobs report suggests an economy with plenty of forward momentum. Employers added 312,000 net new jobs in December, the most in ten months. The main jobless rate rose 0.2% to 3.9% as more Americans entered the labor force; the U-6 rate, measuring underemployment, held at 7.6%. Last month, wages were improving at a rate of 3.2% per year, an increase of 0.1% from the prior report. November's job gain was revised up to 176,000 from the previously reported 155,000.¹

KEY MANUFACTURING INDEX DECLINES

In December, the Institute for Supply Management's purchasing manager index, tracking business activity among the nation's factories, dipped to 54.1. This reading indicates healthy expansion for the sector; on the other hand, this was the index's lowest level in 25 months. It was at 59.3 in November.²

OIL HAD A WINNING WEEK

WTI crude just snapped a 3-week losing streak. Futures settled at \$47.96 per barrel on the NYMEX, rising 5.8% in four trading days. Some analysts credited the advance to reduced worries about a recession, citing the excellent December hiring numbers and the renewed U.S.-China trade negotiations.³

STOCKS START 2019 IN THE GREEN

Three encouraging developments brought out the bulls at the end of the week. The federal government's December employment report was one pleasant surprise. Another came when Federal Reserve chair Jerome Powell said that the central bank was amenable to adjusting monetary policy and would be patient about raising rates this year. Lastly, China announced plans to cut taxes and inject money into its banking system, and additionally, discussions on trade issues with the U.S. would resume this week. Friday, the S&P 500 climbed 3.43% to advance 1.00% on the new year to 2,531.94. The Nasdaq added 1.56% for the week to reach 6,738.86 at Friday's close; the Dow Industrials, 0.45%, to settle at 23,433.16.^{4,5}

TIP OF THE WEEK



*Some **business owners** put off buying insurance because they believe the coverage will be too costly. Having **some insurance is better than none**. A small business can insure itself with coverage at relatively low limits to start, and then, increase them as time passes.*

THIS WEEK

U.S. and Chinese diplomats sit down for further trade discussions in Beijing on Monday; stateside, ISM releases its December non-manufacturing PMI. | On Tuesday, U.S.-China trade meetings conclude, with Wall Street hoping for progress. | The Federal Reserve presents the minutes from its December policy meeting Wednesday; in addition, Bed Bath & Beyond, Constellation Brands, KB Home, and Lennar host earnings calls. | Fed chair Jerome Powell reflects on the economy and monetary policy at the Economic Club of Washington, D.C., on Thursday afternoon, and Fed vice chair Richard Clarida delivers a speech on the same topics in New York City Thursday night. | Friday brings December inflation data from the federal government and quarterly results from Infosys.

QUOTE OF THE WEEK



*“Defer not till tomorrow to be **wise**, tomorrow’s sun to thee may never rise.”*

WILLIAM CONGREVE

MARKET INDEX	Y-T-D CHG	1-MO CHG	1-YR CHG
DJIA	0.45	-3.92	-6.55
NASDAQ	1.56	-3.31	-4.79
S&P 500	1.00	-3.84	-7.05

YIELD	1/4 RATE	1 MO AGO	1 YR AGO
10 YR TIPS	2.67	2.91	2.46

Sources: wsj.com, bigcharts.com, treasury.gov - 1/4/19^{5,6,7,8}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.
10-year TIPS yield = projected return on investment, expressed as a percentage, on the U.S. government’s 10-year bond.

THE WEEKLY RIDDLE



Bryn’s mother and father have three kids. One is Kenzie; the second one is Carrie. Who is the third?

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

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