

January 21, 2019

*In this week's recap: consumer sentiment declines, new ideas surface in U.S.-China trade talks, oil advances again, and the major indices post weekly gains.*

## Weekly Economic Update

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### CONSUMER SENTIMENT HITS A 2-YEAR LOW

Analysts surveyed by MarketWatch thought the University of Michigan's preliminary January consumer sentiment index would display a reading of 97.5. Instead, it came in at just 90.7, dropping 7.6 points from its final December mark to its lowest level since October 2016. Richard Curtin, the economist who has long overseen the university's survey, attributed the slip not only to households reacting to the partial federal government shutdown, but also to "the impact of tariffs, instabilities in financial markets, the global slowdown and the lack of clarity about monetary policies."<sup>1</sup>

### HINTS OF A THAW IN U.S.-CHINA TRADE NEGOTIATIONS

Investors were encouraged Friday by news that China had offered a plan to reduce its trade surplus with the U.S. from more than \$320 billion to \$0 by 2024. The concept, first presented to U.S. trade officials earlier this month, would involve China buying \$45 billion more in U.S. goods this year and incrementally more in the five years to follow. Whether the strategy would work is questionable, as America's strong ongoing demand for Chinese products is arguably the biggest factor in the trade imbalance. Nevertheless, stocks rallied after the news. A day earlier, a *Wall Street Journal* story noted that U.S. officials were considering easing current tariffs on Chinese imports in exchange for such concessions.<sup>2,3</sup>

### OIL RISES 4.3% IN A WEEK

As a result of that gain, WTI crude was worth \$53.80 per barrel on the New York Mercantile Exchange at Friday's close. The latest developments in U.S.-China trade negotiations and the sharpest weekly pullback in the U.S. rig count since 2016 helped to push the price higher.<sup>3</sup>

## AN EARLY EARNINGS SCORECARD

Through Friday, 11% of S&P 500 firms had reported Q4 results. Seventy-six percent of those companies reported actual earnings-per-share exceeding projections, and 56% beat revenue estimates. As the trading week ended, stock market analytics firm FactSet projected year-over-year earnings growth of 10.6% for all S&P constituents for Q4. While this would represent a fifth consecutive quarter of double-digit improvement, such an advance would be the smallest since Q4 2017. Last week, all three major U.S. equity indices rose; you will find their weekly and YTD performances below, along with last Friday's settlements.<sup>4</sup>

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### TIP OF THE WEEK



*Most loan payments are scheduled monthly, but if you **cut a monthly payment in half and pay it every two weeks**, there will be two months per year when you make three payments instead of two. This can help you make 13 months of payments in 12, so you can **pay down a loan more quickly**.*

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## THIS WEEK

U.S. financial markets are closed Monday as the nation observes Martin Luther King, Jr. Day. | Capital One, Fifth Third, GATX, Halliburton, IBM, Johnson & Johnson, TD Ameritrade, Travelers Companies, UBS Group, Union Bank, and Zions Bancorp report earnings Tuesday, and investors also consider December existing home sales figures. | Wednesday's earnings parade includes Abbott Labs, Comcast, Ford Motor Co., Kimberly-Clark, Northern Trust, Procter & Gamble, and Texas Instruments. | Firms reporting Thursday include Alaska Air, American

Airlines, Bristol-Myers, Discover, Freeport McMoRan, Intel, JetBlue, Norfolk Southern, Starbucks, Union Pacific, and Western Digital; beyond the earnings news, a new initial claims report and the Conference Board’s latest index of leading indicators emerge. | AbbVie, Colgate-Palmolive, D.R. Horton, and NextEra Energy announce earnings Friday; data on December new home sales and durable goods orders may be released if the partial federal government shutdown ends.

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#### QUOTE OF THE WEEK



*“Always **seek out** the seed of **triumph** in every adversity.”*

OG MANDINO

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MARKET INDEX	CLOSE	WEEK	Y-T-D
DJIA	24,706.35	+2.96	+5.91
NASDAQ	7,157.23	+2.66	+7.87
S&P 500	2,670.71	+2.87	+6.54

TREASURY	CLOSE	WEEK	Y-T-D
10 YEAR NOTE	2.75	+0.04	+0.06

Sources: wsj.com, treasury.gov - 1/18/19<sup>5,6,7</sup>

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.

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#### THE WEEKLY RIDDLE



*Round like an orange, deep like a cup, set in the earth, and  
nothing can pull it up. What is it?*

*LAST WEEK'S RIDDLE: What speaks, also listens, and has ten digits yet no hands?*

*ANSWER: A phone.*

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CITATIONS:

- 1 - [marketwatch.com/story/consumer-sentiment-in-january-plunges-to-lowest-level-since-trump-elected-2019-01-18](http://marketwatch.com/story/consumer-sentiment-in-january-plunges-to-lowest-level-since-trump-elected-2019-01-18) [1/18/19]
- 2 - [bloomberg.com/news/articles/2019-01-18/china-is-said-to-offer-path-to-eliminate-u-s-trade-imbalance](http://bloomberg.com/news/articles/2019-01-18/china-is-said-to-offer-path-to-eliminate-u-s-trade-imbalance) [1/18/19]
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- 4 - [insight.factset.com/earnings-season-update-january-18-2019](http://insight.factset.com/earnings-season-update-january-18-2019) [1/18/19]
- 5 - [markets.wsj.com](http://markets.wsj.com) [1/18/19]
- 6 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield) [1/18/19]
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