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**The Markets (as of market close October 31, 2019)**

Investors continued to buy stocks, pushing values higher in October. Each of the benchmark indexes listed here posted solid monthly gains despite signs that the economy is slowing, both domestically and globally. Businesses remain hesitant to invest in nonresidential structures, equipment, and software, exports are lagging in volume, and prices remain subdued. Manufacturing continues to wane, and residential sales have been erratic at best. However, there may be headway in the negotiations between the United States and China, as the two economic giants try to resolve their ongoing trade war (although rhetoric from either side changes almost daily). The labor market continues to add new jobs, although wage inflation was muted last month. Since the beginning of the year, interest rates have been reduced by 75 basis points to their lowest levels since May 2018. The last day of the month saw the House of Representatives pass a resolution establishing a framework for a new phase of the impeachment inquiry.

By the close of trading on the last day of the month, each of the benchmark indexes listed here posted gains, led by the tech stocks of the Nasdaq, which climbed more than 3.50% from its September closing value. The large caps of the S&P 500 and the small caps of the Russell 2000 each gained over 2.0% by the end of October, while the Global Dow was close behind. The Dow advanced on the month, but by less than 0.50%. The yield on long-term bonds fluctuated during the month, ultimately closing October about where it began.

By the close of trading on October 31, the price of crude oil (WTI) was \$54.09 per barrel, down from the September 30 price of \$54.37 per barrel. The national average retail regular gasoline price was \$2.596 per gallon on October 28, down from the September 30 selling price of \$2.642 and \$0.215 less than a year ago. The price of gold rose by the end of October, climbing to \$1,515.10 by close of business on the 31st, up from its \$1,479.30 price at the end of September.

Market/Index	2018 Close	Prior Month	As of October 31	Month Change	YTD Change
DJIA	23327.46	26916.83	27046.23	0.48%	15.94%
NASDAQ	6635.28	7999.34	8292.36	3.66%	24.97%
S&P 500	2506.85	2976.74	3037.56	2.04%	21.17%
Russell 2000	1348.56	1523.37	1562.45	2.57%	15.86%
Global Dow	2736.74	3021.34	3081.07	1.98%	12.58%
Fed. Funds	2.25%-2.50%	1.75%-2.00%	1.50%-1.75%	25 bps	-75 bps
10-year Treasuries	2.68%	1.67%	1.69%	2 bps	-99 bps

*Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.*

**Latest Economic Reports**

**Employment:** The unemployment rate declined 0.2 percentage point to 3.5% in September. The last time the rate was this low was in December 1969, when it also was 3.5%. Total employment increased by 136,000 in September after adding 168,000 (revised) new jobs in August. The average monthly job gain so far in 2019 is 161,000 per month (223,000 in 2018). Notable employment increases for September occurred in health care (39,000), professional and business services (34,000), government (22,000), and transportation and warehousing (16,000). The number of unemployed persons dropped by 275,000 to 5.8 million. The labor participation rate remained at 63.2%, and the employment-population ratio rose to 61.0%

## Key Dates/Data Releases

11/3: Employment situation, Markit PMI Manufacturing Index, ISM Manufacturing Index

11/5: International trade, ISM Non-Manufacturing Index, JOLTS

11/13: Consumer Price Index, Treasury budget

11/14: Producer Price Index

11/15: Retail sales, import and export prices, industrial production

11/19: Housing starts

11/21: Existing home sales

11/26: New home sales, international trade in goods

11/27: GDP, durable goods orders, personal income and outlays

(60.9% in August). The average workweek remained at 34.4 hours for September. Average hourly earnings fell by \$0.01 to \$28.09. Over the last 12 months ended in September, average hourly earnings have risen 2.9% (3.2% for the 12 months ended in August).

**FOMC/interest rates:** By an 8-2 vote, the Federal Open Market Committee dropped the target range for the federal funds rate 25 basis points following July's 25-basis-point cut and September's comparable rate slash. The federal funds rate range has been decreased by 75 basis points so far this year. The target range now sits at 1.50%-1.75%. In support of its decision to reduce interest rates again, the Committee noted that inflation continues to run below the Fed's 2.0% target rate, business fixed investment and exports have weakened, and global economic developments are uncertain.

**GDP/budget:** Economic growth slowed again in the third quarter. According to the initial estimate for the third-quarter gross domestic product, the economy accelerated at a rate of 1.9%, down from the second quarter's 2.0% annual growth rate. The first quarter saw an annualized growth of 3.1%. The personal consumption expenditures price index increased 1.5% in the third quarter compared to an increase of 2.4% in the second quarter. Driving economic growth in the third quarter was consumer spending, which increased at an annualized rate of 2.9% (4.6% in the second quarter). Another positive from the report comes from residential investment, which rose 5.1% — the first positive contribution to the GDP since 2017. Nonresidential (business) fixed investment continues to lag, falling 3.0% in the third quarter after dropping 1.0% in the second quarter. September marked the close of the 2019 fiscal year for the federal government. For the month, the federal budget came in at a smaller-than-expected surplus of \$82.2 billion in September, narrowing the fiscal 2019 deficit to \$984.4 billion, still 26.4% higher than the fiscal 2018 deficit.

**Inflation/consumer spending:** According to the personal income and outlays report, inflationary pressures remain weak, as prices for consumer goods and services rose less than 0.1% in September. Prices are up 1.3% over the last 12 months. Consumer prices excluding food and energy showed no movement in September and are up 1.7% year-over-year. On the other hand, consumers continue spending, as purchases rose 0.2% (0.2% in August). Personal income and disposable (after-tax) personal income each climbed 0.3% in September (0.5% and 0.6%, respectively, in August).

The Consumer Price Index was unchanged in September following a 0.1% advance in August. Over the 12 months ended in September, the CPI rose 1.7%. Energy prices fell 1.4% on the month with gasoline down 2.4%. Prices less food and energy rose 0.1% in September after increasing 0.3% the previous month. Since last September, core prices (less food and energy) are up 2.4%.

According to the Producer Price Index, the prices companies received for goods and services fell 0.3% in September after increasing 0.1% in August. The index increased 1.4% for the 12 months ended in September. Prices for goods fell 0.4% in September. Most of the decline is attributable to energy prices, which tumbled 2.5%. Prices for services dropped 0.2% in September, pulled down by declining prices for machinery and vehicle wholesaling, which fell 2.7%. The price index less foods, energy, and trade services was unchanged after jumping ahead 0.4% in August. For the 12 months ended in September, producer prices less foods, energy, and trade services advanced 1.7%.

**Housing:** The housing sector has been anything but steady for much of the year, and September was no exception. Existing home sales plunged 2.2% in September following two consecutive monthly increases. Year-over-year, existing home sales are up 3.9%. Existing home prices fell in September, as the median price for existing homes was \$272,100, down from August's median price of \$278,200. Nevertheless, existing home prices were up 5.9% from September 2018. Total housing inventory for existing homes for sale in September decreased to 1.83 million (1.86 million in August), representing a 4.1-month supply at the current sales pace. After rising 6.1% in August, sales of new single-family houses tumbled 0.7% in September. However, new home sales are up 15.5% over their September 2018 estimate. The median sales price of new houses sold in September was \$299,400 (\$328,400 in August). The average sales price was \$362,700 (\$404,200 in August). Inventory at the end of September remained at a supply of 5.5 months.

**Manufacturing:** According to the Federal Reserve, industrial production fell 0.4% in September after advancing 0.8% in August. Manufacturing output declined 0.5% following a 0.5% rise the prior month. In September, mining output fell 1.3%, while utilities climbed 1.4%. Total industrial production was 0.1% lower in September than it was a year earlier. Following three consecutive monthly increases, new orders for durable goods dropped 1.1% in September. Excluding transportation, new orders decreased 0.3%. Excluding defense, new orders decreased 1.2%.

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Transportation equipment, also down following three consecutive monthly increases, led the decrease, dropping 2.7%. New orders for capital goods (used by businesses to produce consumer goods) fell 2.8% in September as business investment continues to be weak.

**Imports and exports:** Both import and export prices remained soft in September. Import prices rose 0.2%, pushed higher by a boost from petroleum-based products. Nonfuel goods edged down 0.1%. For the year, import prices are also down 1.6%. Export prices fell 0.2% and are down 1.6% over the past 12 months. Agricultural export prices declined 1.8% in September, while nonagricultural prices for items such as consumer goods, automobiles, and industrial supplies and materials dropped 0.1%. The latest information on international trade in goods and services, out October 4, is for August and shows that the goods and services deficit was \$59.4 billion, \$0.9 billion over July's revised figure. August exports were \$207.9 billion, \$0.5 billion more than July exports. August imports were \$262.8 billion, \$1.3 billion more than July imports. Year-to-date, the goods and services deficit increased \$28.3 billion, or 71%. Exports decreased \$3.2 billion, or 0.2%. Imports increased \$24.1 billion, or 1.2%. The advance report on international trade in goods (excluding services) revealed the trade deficit fell to \$70.4 billion in September, down from \$73.1 billion in August. However, both export and import trading slowed in September, with exports of goods dropping \$2.2 billion from August and imports falling \$4.9 billion below August's total.

**International markets:** Still unable to reach an accord on a Brexit plan, the United Kingdom requested, and was granted, another extension by the European Union, this time to January 31. However, the UK could leave before that date if Parliament passes a withdrawal bill. UK stocks sank following news that the country was headed to yet another general election before the end of the year. In China, consumer prices rose 0.9% in September and are up 3.0% over the past 12 months — the highest level since 2013. Nevertheless, the Chinese economy continued to slow as its third-quarter gross domestic product expanded at a 6.0% year-over-year pace, down from the 6.2% rate of expansion in the second quarter.

**Consumer confidence:** Consumer confidence remained tepid in October. The Conference Board Consumer Confidence Index® registered 125.9, down from 126.3 in September. The Present Situation Index — based on consumers' assessment of current business and labor market conditions — increased from 170.6 to 172.3. The Expectations Index — based on consumers' short-term outlook for income, business and labor market conditions — declined from 96.8 last month to 94.9 this month.

### Eye on the Month Ahead

While stocks rebounded nicely last month, will that trend continue in November? Stock market growth seemingly rides on the progress made in the trade negotiations between the United States and China. With the impeachment process moving on to another phase and the government on target to shut down by the middle of November, it should be an interesting fourth quarter.

*Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The 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. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.*