



Tocco Financial Services, Inc.

toccofinancial.com
 Judy Tocco, CFP®
 Jennifer Akins, CFP®
 1647 N. Swan Road
 Tucson, AZ 85712
 520-881-1149
 judytocco@toccofinancial.com
 jenniferakins@toccofinancial.com



Market Week: October 7, 2019



The Markets (as of market close October 4, 2019)

Stocks and long-term bond yields fell again last week as fears of an economic slowdown, both here and abroad, worried investors. Despite a solid labor report, unfavorable reports from domestic and global manufacturers, and an expanding trade deficit apparently shook investors. Of the benchmark indexes listed here, only the tech-heavy Nasdaq posted a weekly gain, bolstered by gains in information technology shares. The Global Dow was hit the hardest, falling almost 2.0%, followed by the small caps of the Russell 2000, the Dow, and the S&P 500, each of which posted weekly losses for the third consecutive week.

Oil prices fell again last week, closing at \$53.01 per barrel by late Friday afternoon, down from the prior week's price of \$56.00. The price of gold (COMEX) rose last week, closing at \$1,510.30 by late Friday afternoon, up from the prior week's price of \$1,503.10. The national average retail regular gasoline price was \$2.642 per gallon on September 30, 2019, \$0.012 less than the prior week's price and \$0.224 less than a year ago.

Market/Index	2018 Close	Prior Week	As of 10/4	Weekly Change	YTD Change
DJIA	23327.46	26820.25	26573.72	-0.92%	13.92%
Nasdaq	6635.28	7939.63	7982.47	0.54%	20.30%
S&P 500	2506.85	2961.79	2952.01	-0.33%	17.76%
Russell 2000	1348.56	1520.48	1500.70	-1.30%	11.28%
Global Dow	2736.74	3019.31	2964.37	-1.82%	8.32%
Fed. Funds target rate	2.25%-2.50%	1.75%-2.00%	1.75%-2.00%	0 bps	-50 bps
10-year Treasuries	2.68%	1.67%	1.51%	-16 bps	-117 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.

Last Week's Economic News

- September saw 136,000 new jobs added while the unemployment rate fell 0.2 percentage point to 3.5% — its lowest rate since December 1969. Over the month, the number of unemployed persons decreased by 275,000 to 5.8 million. Job growth has averaged 161,000 per month thus far in 2019, compared with an average monthly gain of 223,000 in 2018. In September, new jobs were added in health care (39,000 jobs), professional and business services (34,000 jobs), government (22,000 jobs), and transportation and warehousing (16,000 jobs). The labor force participation rate held at 63.2% in September. The employment-population ratio, at 61.0%, inched up 0.1 percentage point over the month but was up by 0.6 percentage point over the year. Last month, average hourly earnings fell \$0.01 to \$28.09 after increasing \$0.11 in August. Over the past 12 months ended in September, hourly earnings have increased 2.9%. The average workweek was unchanged at 34.4 hours in September.
- The trade deficit increased by \$0.9 billion in August to \$54.9 billion. August exports were \$207.9 billion,

Key Dates/Data Releases
10/8: Producer Price Index
10/9: JOLTS
10/10: Consumer Price Index, Treasury budget
10/11: Import and export prices

\$0.5 billion more than July exports. August imports were \$262.8 billion, \$1.3 billion more than July imports. The August figures showed surpluses in goods trades with South and Central America (\$5.0 billion), Hong Kong (\$2.2 billion), and the United Kingdom (\$0.6 billion). Deficits were recorded with China (\$28.9 billion), the European Union (\$15.6 billion), Mexico (\$8.4 billion), and Japan (\$6.1 billion).

- Purchasing managers reported an uptick in production in September, but not enough to save the manufacturing sector from experiencing its worst quarter since 2009. The IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 51.1 in September, slightly higher than 50.3 in August. According to the report, "Expansions in production and new orders remained only modest, meaning firms were encouraged to increase their workforce numbers only tentatively. Business confidence remained relatively gloomy due to muted demand conditions."
- Respondents in the Institute for Supply Management survey also saw a slowing manufacturing sector. The results from the latest report included a decrease in the purchasing managers index in September from the prior month. New orders rose slightly, while production, employment, deliveries, new export orders, and inventories each declined. Prices rose marginally. On the whole, respondents noted that demand and consumption contracted last month.
- In the services sector, purchasing managers were dovish with respect to growth in September. According to the Non-Manufacturing ISM® Report On Business®, business activity, new orders, and employment fell in September from August. Prices increased in September for the 28th consecutive month. Some of the non-manufacturing (services) industries reporting include utilities, retail trade, construction, accommodation & food services, transportation & warehousing, and health care & social assistance.
- For the week ended September 28, there were 219,000 claims for unemployment insurance, an increase of 4,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.1% for the week ended September 21. The advance number of those receiving unemployment insurance benefits during the week ended September 21 was 1,651,000, a decrease of 5,000 from the prior week's level, which was revised up by 6,000.

Eye on the Week Ahead

This week, inflationary measures are in the news with reports on the costs of consumer goods and services in September. In August, both consumer prices and producer prices increased a scant 0.1%, respectively. For the year, the Consumer Price Index is up 1.7% — well below the Fed's target of 2.0%.

Data sources: 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. Market data: 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). 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. Market indices listed are unmanaged and are not available for direct investment.

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