

### **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.<sup>1</sup>

### **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.<sup>2</sup>

### **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.<sup>3</sup>

### **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.)<sup>4</sup>

**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.

<b>MARKET INDEX</b>	<b>CLOSE</b>	<b>WEEK</b>	<b>Y-T-D</b>
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
<b>TREASURY</b>	<b>CLOSE</b>	<b>WEEK</b>	<b>Y-T-D</b>
10 YEAR NOTE	2.71	-0.04	+0.02

Sources: wsj.com, treasury.gov - 1/11/19<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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CITATIONS:

- 1 - [cnbc.com/2019/01/10/consumer-price-index-december-2018.html](http://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](http://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](http://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](http://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/](http://markets.wsj.com/) [1/11/19]
- 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) [1/11/19]
- 7 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll) [1/11/19]