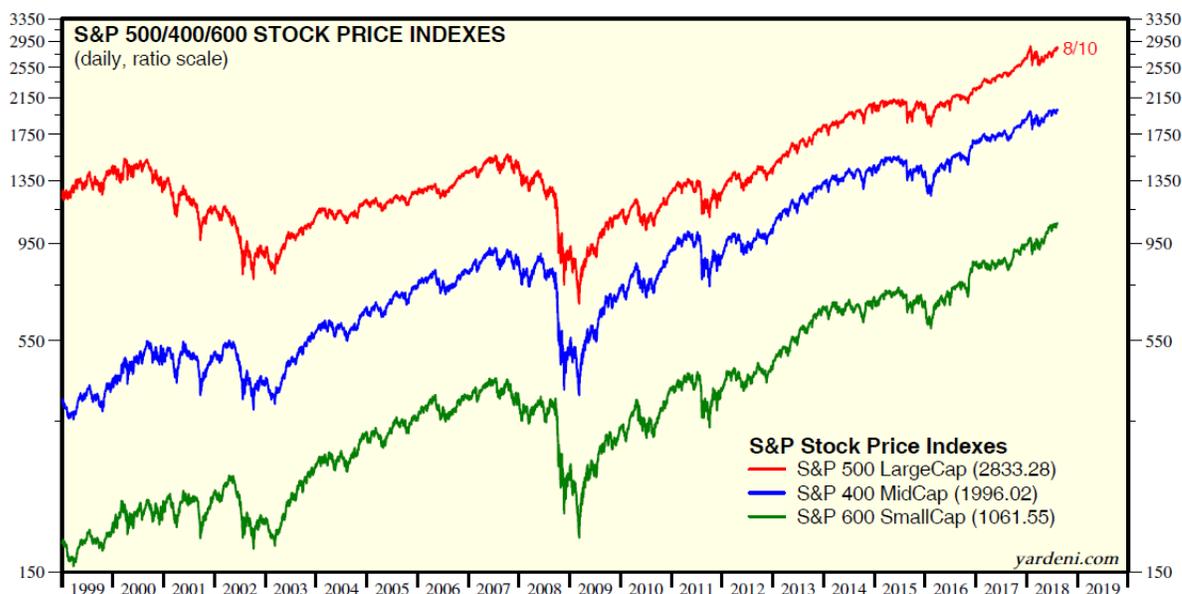




Last Week:

- The Dow Jones Industrial Average moved ahead +1.4%, closing at its highest level since February
 - Only 8 of the 30 declined, led by Chevron Texaco (-4.5%) and Intel (-3.6%) ... Nike, **Microsoft** and ExxonMobil each declined 1%+
 - Leading the gainers was WalMart +8.5%, joined by **Walgreens** +5.3% ... Apple, **Cisco**, **Merck** and **Verizon** all picked up 4%+
 - The best performing industry groups were Food and Drug Retailers, Brewers, Computer Hardware and Personal Products
 - Pulling down the averages for the week were industry groups Coal, Broadline and Specialty Retailers, and Industrial Suppliers
- Dow Transportations tacked on +1.2% while Dow Utilities surged higher +2.8% ... the Utilities index closed at its highest level since December 2017
- The S&P 500 wasn't as strong but still moved higher +0.6%, posting its sixth weekly advance over the last seven weeks
 - Consumer Staples, Real Estate and Utilities provided the power, all gaining around 3% for the week
 - Weakness was found in Energy (-3.6%), one of only three sectors (Materials and Consumer Discretionary being the other two) in the red for the week
- The S&P SmallCap 600 gained for a third consecutive week, picking up +1.0%, while the S&P MidCap 400 tacked on +0.7%, only a few points below its all-time high



Source: Standard & Poor's.

- NASDAQ couldn't keep pace, and registered a decline of (-0.3%)



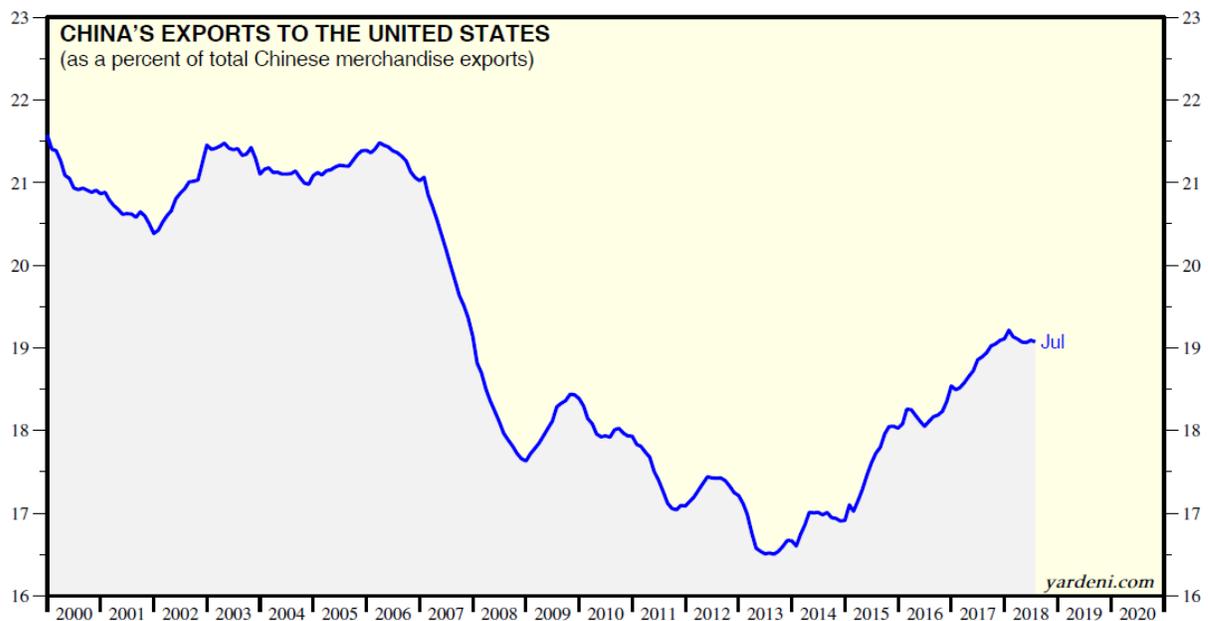
- The CBOE Volatility Index (VIX) fell back into calmer waters, closing at 12.64 for the week
- The US Dollar Index, after strengthening noticeably last week, was nearly flat this week
- Crude oil dropped \$1.75 to finish at \$65.91/barrel
- Gold continued its four month decline and closed at \$1,177/ounce
- The 10-year Treasury yield hardly moved, down 1 basis point (bps) to 2.86%
 - The 2-year has also declined since the beginning of August, but the spread between the two bonds has dropped to 25 bps
 - Investors are continuing to bet that rates will be moving higher



- The rest of the world (ROW) did not get the positive stock market experience last week that the US did
 - The Stoxx Europe 600 fell (-1.3%)
 - Frankfurt (-1.7%), London (-1.4%) and Paris (-1.3%) all felt the pain of ongoing uncertainty in Turkey and the end of the bailout in Greece
 - Athens fell (-4.5%) while Istanbul topped that (-6.5%) ... Italy also was above average at (-3.1%)
 - Good news was even harder to find in the Asia-Pacific region
 - Hong Kong dove (-4.1%), joining China's big two, the Shanghai (-4.5%) and the Shenzhen (-3.4%) as the big losers in the region
 - Chinese bank regulators are encouraging greater lending to exporters and infrastructure players to pep up the economy
 - Tokyo barely fell into red numbers (-0.1%), while India +0.2% and Sydney +1.0% managed to stay in the black



- On Monday the Turkish lira hit a record low to the dollar, but recovered some by the end of the week despite the US announcing new tariffs on the country
 - Qatar announced it will supply \$15 billion to Turkey toward economic projects, investments, and deposits. That finally got the Turkish Lira up off the mat, with a 6% one-day rebound
 - Both Moody's and S&P downgraded the country's debt deeper into non-investment grade
- China sent a trade delegation to the US in hopes of beginning to lay the groundwork for negotiations over the next several months, with a goal of ushering in a new era of trade between the two economic powers ... more meetings happen this week



Source: Haver Analytics.

- Mexico is also pushing to complete trade negotiations sooner rather than later
- European Union officials are expected back in Washington this week for another round of discussions about trade also
- Venezuela devalued its currency and introduced its new sovereign bolivar as it battles hyperinflation ... the new currency is anchored to Venezuela's cryptocurrency, the petro
- US agricultural export prices fell by 5.3% in the last month, the largest drop since 2011 ... a 14% drop in the price of soybeans was the primary contributor
- In corporate news:
 - The SEC formally started investigating Tesla and Elon Musk for statements (okay, maybe they were tweets) regarding taking the firm private and past disclosures on production plans for vehicles
 - In a *New York Times* interview, Tesla CEO Elon Musk blamed Ambien and exhaustion for his not-quite-100%-accurate tweets about taking Tesla private with financing already



secured. According to the article, “Board members, blindsided by the chief executive’s market-moving statement, were angry that they had not been briefed”

- **Pepsi** announced an agreement to buy SodaStream for \$3.2 billion
- Tyson Foods also gobbled up another company, Keystone Foods, for \$2.2 billion
- Earlier in the week Coca-Cola made a significant investment in sports drink maker BodyArmor
- President Trump tweeted his support for changing the current quarterly reporting requirements for public companies to semi-annual
- Diamondback Energy is acquiring Energen in an all-stock deal
- Cava Group is acquiring Zoe’s Kitchen for \$300 million cash
- The FDA approved **Bristol Myers’** Opdivo for previously treated small cell lung cancer
- NFIB Small Business Optimism ticked up to 107.9 in July, the second-highest reading in the history of the index, and just below the 1983 peak
- The University of Michigan sentiment index fell to 95.3 in August, from 97.9 in July, marking an 11-month low

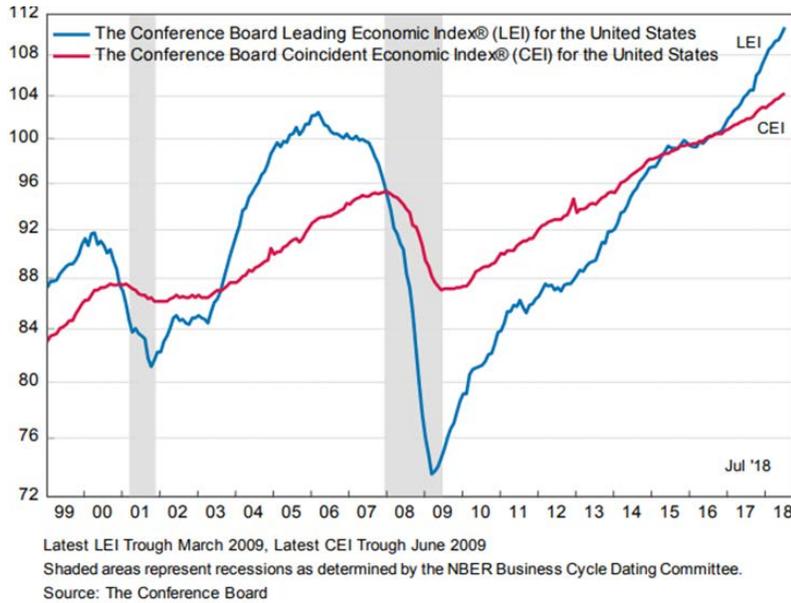
Debt burden lowest in 15 1/2 years

Household debt as share of disposable personal income



Source: New York Fed/BEA/Haver Analytics

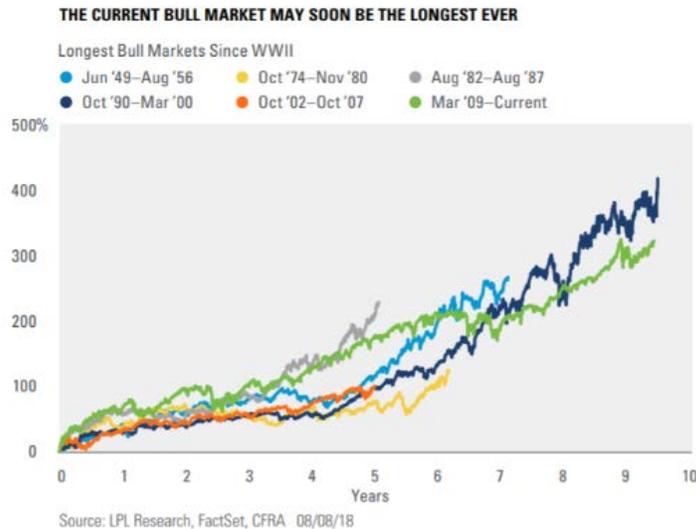
- Retail Sales rose 0.5% in July, far ahead of the 0.2% consensus forecast, but June’s figure got slashed to a revised 0.2% from an originally reported 0.5%
- Industrial Production edged up 0.1% in July, shy of the 0.3% consensus prediction
- The Fed’s Empire State index printed 25.6 in August, considerably above the 20.1 consensus estimate
- But apparently conditions were much different at the Pennsylvania end of the New Jersey turnpike. The Philadelphia Fed index fell to 11.9 in August, well below the 22.5 consensus forecast and the lowest reading in 21 months
- The Conference Board’s index of Leading Economic Indicators rose 0.6% in July to 110.7



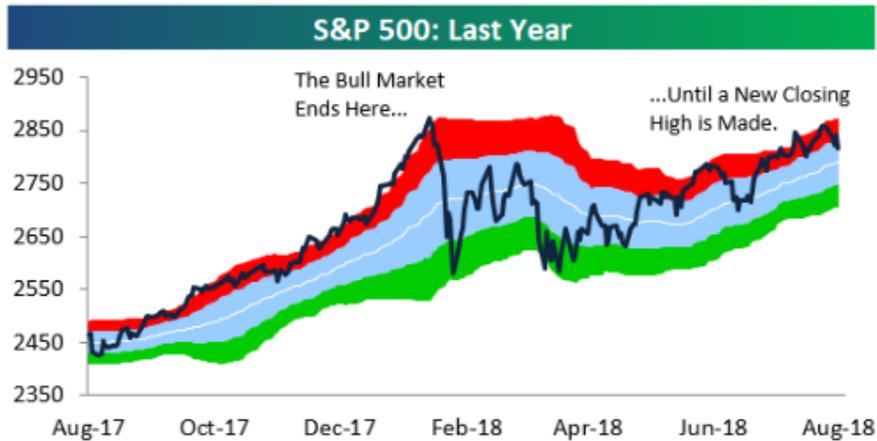
- Weekly Jobless Claims edged down 2,000 to 212,000
- Housing Starts ticked up to 1.17 million annualized units in July, below the 1.27 million consensus forecast. Permits to build new homes edged up 1.5% to 1.31 million on an annualized basis

This Week:

- If the market can make it to Wednesday without enduring a 20% decline, some say it will become the longest bull market in history



- To be balanced, some ink has been spilled that the bull market actually ended earlier this year, pending the market making a new closing high. Your mileage may vary; we report, you decide!

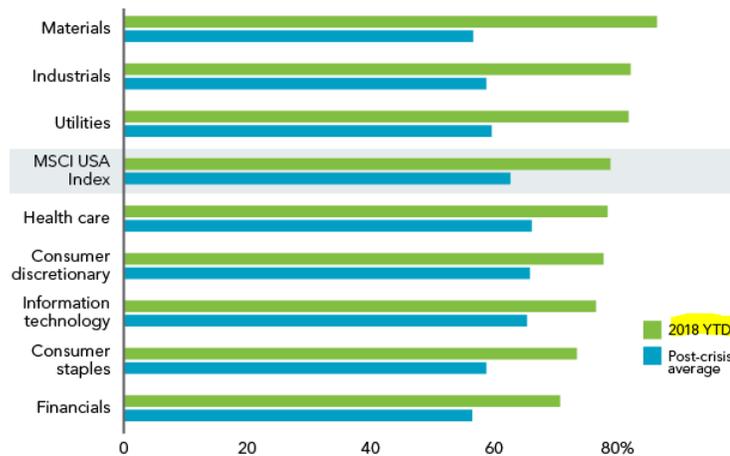


Source: Bespoke

- US markets are indicated to open slightly higher
- Most major European markets are having a very good day
- Asian markets rebounded strongly from last week and finished mostly higher ... Hong Kong gained back +1.4% and Shanghai +1.1% while the Nikkei fell slightly (-0.3%)
- Hearings on the additional \$200 billion in tariffs on China run through this week into early next week
- The Fed releases the minutes of its last meeting on Wednesday
- The Jackson Hole Conference starts Thursday with Fed Chairman Jerome Powell speaking Friday morning
- Earnings season is largely complete, and guidance for US companies continues to be positive

Chart of the week

Percentage of companies raising guidance, 2009-2018



Source: Blackrock Investment Institute

- Earnings this week:
 - Monday: Estee Lauder and Sasol



- Tuesday: BHP Billiton, Coty, JM Smucker, Jack Henry, Keysight Technologies, Kohl's, **Medtronic, Premier**, and TJX Companies
- Wednesday: **Analog Devices**, Huazhu Group, L Brands, **Lowe's**, Royal Bank of Canada, Synopsys and Target
- Thursday: Alibaba, Autodesk, Canadian Imperial Bank, The Gap, **Hormel**, HP, **Intuit**, Ross Stores, Splunk, Veeva Systems and VMware
- Economic reports:
 - Wednesday: US Existing Home Sales
 - Thursday: Jobless Claims, Flash PMIs, FHFA Home Price Index and New Home Sales
 - Friday: US Durable Goods

As always, thanks very much for your interest and support.

Farley Shiner, CFA®
Managing Director

Adam Bergman, CFA®
Executive Director

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