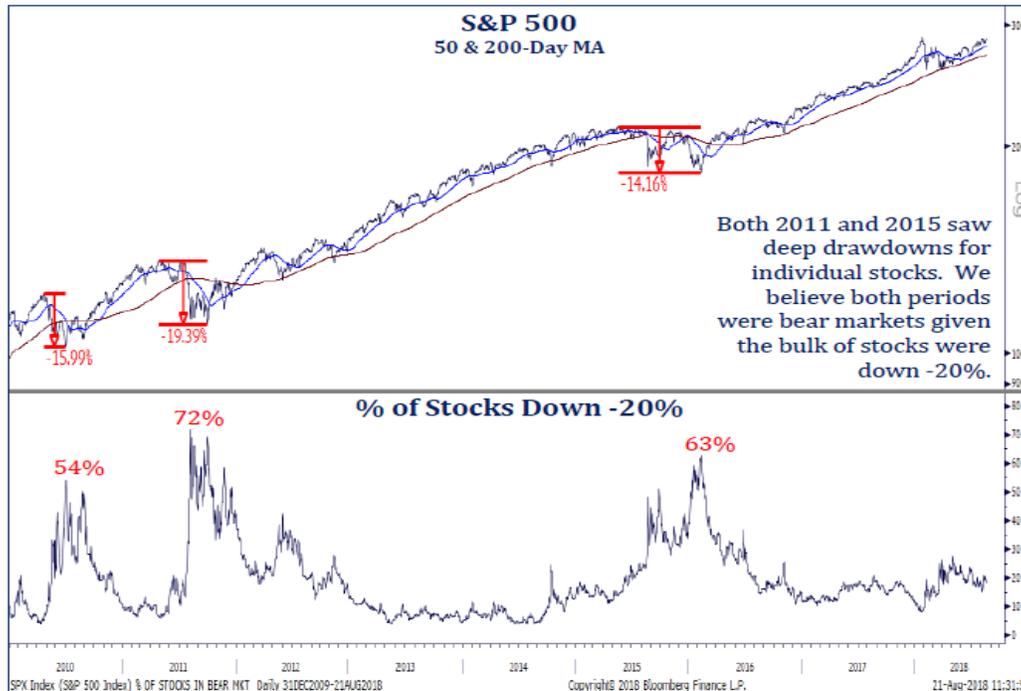




Last Week:

- Records, records everywhere ... we will focus here on the longest bull market ever ... 3,545 days and counting since the market turned up in March 2009
  - Some still believe the measurement date is wrong, and we've missed a bear or two along the way, especially given the small cap Russell 2000 was down 31% and 27%, respectively, during those last two "pullbacks" shown below

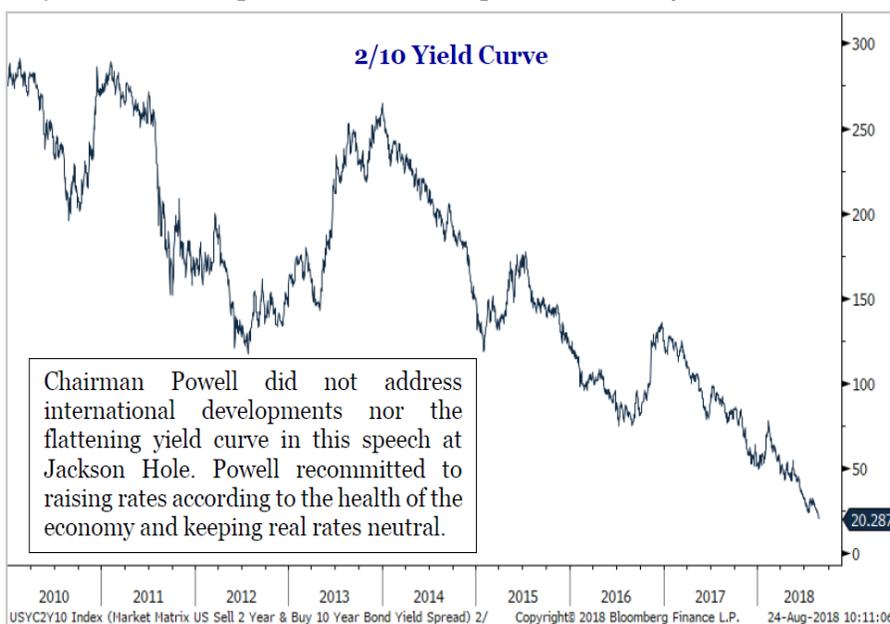


Source: Strategas

- The Dow Jones Industrial Average tacked on another +0.5% for the week
  - Advancers barely outpaced decliners 17-13, as Home Depot led the charge higher +5.7% ... Boeing, Visa, American Express and Nike each gained just under 3% for the week
  - Last week's leader gave back a bit of the gains, as WalMart fell (-2.9%), followed by McDonalds (-1.8%), Apple (-1.4%), Caterpillar and United Tech (both -1.1%)
  - The best performing industry groups were Specialty and Home Improvement Retailers, Toys, and Oil Equipment and Exploration & Production
- Dow Transports kept pace +0.5% while Dow Utilities fell out of favor (-1.7%)
- The S&P 500 set a new all-time high, finishing the week +0.9%
  - In a reversal from the prior week, Consumer Staples (-1.7%), Real Estate (-1.0%) and Utilities (-1.5%) were the only negative sectors
  - Energy bounced back from being the prior week's worst performer to being the best last week (+2.7%), joined by Consumer Discretionary (+2.1%)
- The S&P SmallCap 600 posted a fourth consecutive gain +1.8%, while the S&P MidCap 400 pushed ahead 1.2%, both establishing new all-time highs



- NASDAQ gained +1.7% and set another new all-time high for the fifth month this year (January, March, June and July each also set new high water marks)
- The CBOE Volatility Index (VIX) was steady and calm, closing down slightly at 12.34
- The US Dollar Index pulled back 0.93 to finish at 95.17 ... it started the year at 92.12
- Crude oil moved higher by nearly \$3/barrel to finish at \$68.72
- Gold finally found its footing and managed a move higher, closing up \$20/troy ounce at \$1,198
- The 10-year Treasury yield moved down slightly, dropping 4 basis points (bps) to 2.82%
  - The 2-year note yield pushed higher last week, bringing the spread between the 2- and 10-year bonds to just under 20 bps, the narrowest spread since July 2007



Source: Strategas

- The rest of the world followed US markets higher for the week
  - The Stoxx Europe 600 was up +0.7%
    - Frankfurt +1.5% and Paris +1.6% set the pace, while London lagged behind +0.3% amid ongoing Brexit uncertainty. Among European bourses, only tiny Belgium managed to miss out on the week's gains
  - Many Asia-Pacific markets appreciated more than those in the US
    - Hong Kong gained +1.7% and Tokyo added +1.5% while China's Shanghai +2.2% and Shenzhen +1.4% markets also advanced
    - Bombay was up less than many in the region +0.8% but is on a six week winning streak and has gained 18.7% since the middle of March
    - Sydney bucked the trend with a decline of (-1.5%)
- On Friday, Australia Prime Minister Malcolm Turnbull was replaced by lawmaker Scott Morrison who was serving as the country's treasurer
- The Fed minutes were released with little fanfare

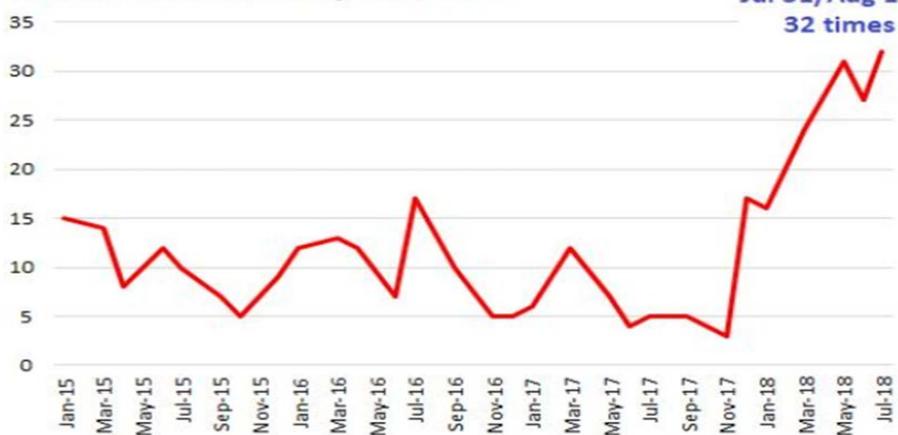


- Fed Chairman Jerome Powell said the FOMC does not see “an elevated risk of [the economy] overheating,” and that there’s “no clear sign” of inflation sustaining above 2%
- Dallas Fed President Robert Kaplan said he anticipates 3-4 more rate hikes in the next 12 months
- Kansas City Fed President Esther George said she supports two more interest-rate hikes in 2018, and “several more” in 2019, provided the economy continues “firing on all cylinders.” Recent Fed minutes increasingly refer to the economy as “strong,” as shown in the accompanying chart

### The Fed's Hawkishness Spikes

#### FOMC Minutes: "Strong"

Number of times used per minutes



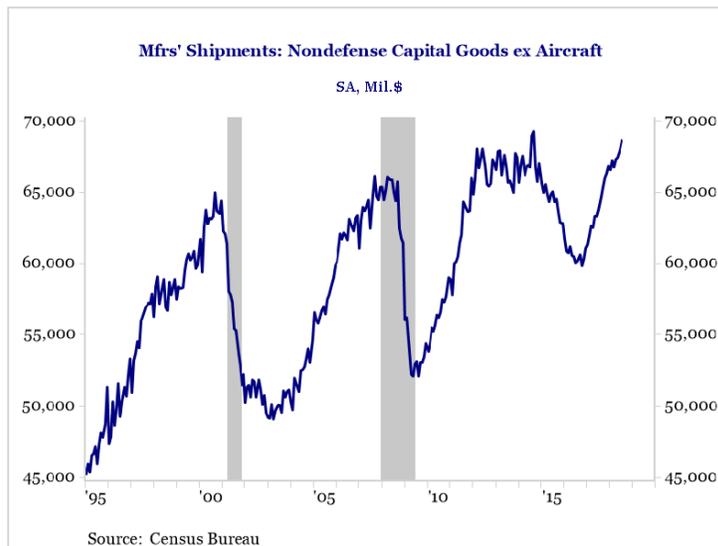
Sources: Minutes by FOMC, counting by WOLF STREET

WOLFSTREET.com

- For what it’s worth, Fed Funds Futures indicate a near-95% probability of a quarter-percentage point interest rate increase at the upcoming September 25-26 FOMC meeting and a 64% chance of another hike at the December 18-19 meeting
- Lots of websites were impacted during the week, as Facebook, **Microsoft**, Twitter and others either disabled or completely removed sites believed to be affiliated with Russian or Iranian intelligence and a source of “disinformation”
- Late Friday night, Tesla CEO Elon Musk said he is choosing to abandon plans to take the company private, saying the process “would be even more time-consuming and distracting than initially anticipated”
  - The SEC’s investigation into his previous comments about having “fully secured funding” to take the company private may also prove time-consuming and distracting
- Following a tough week for his friends, President Trump sluffed off any impact to him personally ... “I’ll tell you what. If I ever get impeached, I think the market would crash,” he told Fox News. He also said that indicted individuals “flipping,” by providing testimony that implicates other individuals, “almost ought to be illegal” and “is not fair”
- Trade talks were held with a number of trading partners last week, but no specific negotiating results were announced, and additional tariffs did go into effect

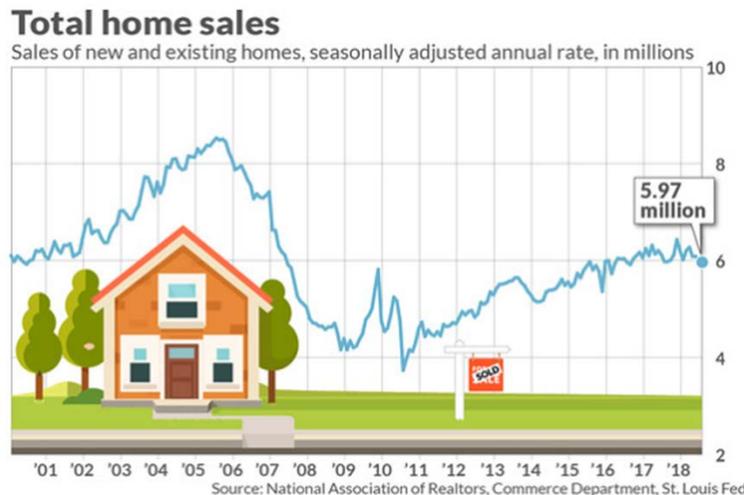


- Senator John McCain, a celebrated war hero and a candidate for the presidency, passed away ... many believe this leaves a gap in statesmanship in Washington. It also narrows the Republican majority in the Senate to 50-49 (two Independents caucus with the 47 Democrats)
- July Durable Goods Orders fell -1.7%, worse than the -0.5% Street forecast, but overall capital expenditures appear strong



Source: Strategas

- IHS Markit's Manufacturing PMI gauge fell to 54.3 in August from 55.3 in July
- Weekly Jobless Claims printed 210,000
- New Home Sales totaled 627,000 in July, shy of the 647,000 consensus forecast
- Meanwhile, Existing Home Sales dipped to a 5.34 million annualized rate in July, the slowest pace since February 2016 and a tad shy of the 5.40 million consensus estimate
- The combination of new plus existing home sales has stalled over the past year, as shown in the accompanying chart





**This Week:**

- US markets are poised to open higher
- Markets on the European mainland were trading higher while London is closed for a bank holiday
- Asian markets were up strongly with Hong Kong +2.2%, Shanghai +1.9% and the Nikkei +0.9%
- A U.S. delegation was scheduled to head to North Korea to continue talks regarding denuclearization, but the trip was cancelled at the last minute; President Trump cited a lack of progress
  - Over the weekend, many families “reunited” for the first time as those separated between the North and South were allowed to visit for the first time in decades
- OPEC meets today to review compliance with production quotas
- Summer unofficially ends. Markets will see a full week of trading ahead of the three-day Labor Day holiday weekend
- Earnings this week:
  - Monday: **Heico**
  - Tuesday: Bank of Montreal, Bank of Nova Scotia, Best Buy, Hewlett Packard and Tiffany & Co
  - Wednesday: Brown Forman, PVH and Salesforce.com
  - Thursday: Burlington Stores, Campbell Soup, Dollar General, **Dollar Tree**, lululemon, Cooper Companies, Toronto Dominion Bank and Ulta Beauty
- Economic reports:
  - Tuesday: Consumer Confidence and Trade Balances
  - Wednesday: GDP Revision and Pending Home Sales
  - Thursday: Jobless Claims, Personal Income and Spending, and PCE deflator
  - Friday: Chicago PMI and the Univ of Michigan Consumer Sentiment

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

Farley Shiner, CFA®  
Managing Director

Adam Bergman, CFA®  
Executive Director



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