



**Last Week:**

- (and this week ...) It's all about Florence on the East Coast. The hurricane/tropical storm turned into a tortoise, slowly meandering across South Carolina while dumping feet of rain on North Carolina ... our thoughts and prayers are with the millions who will be impacted by this storm for days and weeks to come or longer
  - Trucks looking to take goods from the Northeast to Florida have to detour over to Tennessee to get around the effects ... signs on I-95 tell the tale

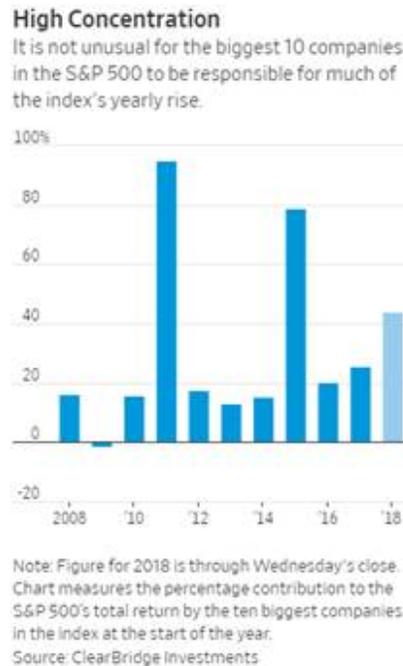


*Source: Sterling Capital Management*

- The death toll continues to rise, already at 17
- Globally, Super Typhoon Mangkhut ravaged the Philippines and Hong Kong killing over 60 people, just weeks after Japan suffered a similar fate
- The Dow Jones Industrial Average finished the week +0.9%
  - Advancers outpaced decliners by a 2:1 margin, led by **Microsoft** +4.8%, United Technologies +4.4% and Nike +4.0% ... American Express, **Visa**, **Walgreens** and Boeing each chipped in with 3% gains
  - To the down side, 3M took the top spot (-2.2%), joined by DowDuPont, Goldman Sachs and Intel, all down (-2.0%)
- Dow Transports shifted up a gear with a gain of +2.0% while Dow Utilities managed an advance of +0.5%
- The S&P 500 picked up +1.2%
  - The only sector in the red for the week was Financials (-0.4%) ... Real Estate and Utilities posted tepid gains



- Energy +2.0%, Industrials and Technology (both +1.9%) led the charge higher
- The S&P has been led by a relatively narrow group of mega-cap gainers (**Amazon**, Apple, e.g.). That isn't completely unusual, although the magnitude of the top 10 contributors in 2018 is the third highest in the past decade



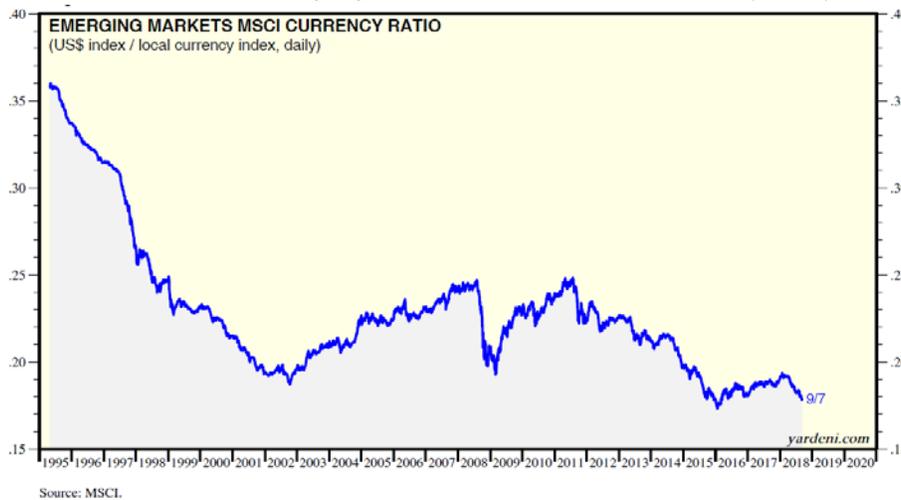
- The S&P SmallCap 600 and S&P MidCap 400 lagged the broader markets but still managed positive results, up +0.5% and +1.0%, respectively
- NASDAQ bounced back, recovering half its losses from the prior week, +1.4%
- In world markets:
  - The Stoxx Europe 600 rallied +1.1% with the Eurozone seeing more strength
    - Frankfurt +1.4% and Paris +1.9% far outpaced London +0.4%
    - Russian markets zoomed higher +4.2% while Greece lagged (-0.9%)
  - Asia-Pacific markets were all over the board
    - Tokyo was the leader +3.5% but other markets saw more modest gains, such as Hong Kong +1.2% and Sydney +0.4%
    - Feeling the other side of the trade were the Shenzhen (-2.3%) and Shanghai (-0.8%) markets in China and India (-0.8%) ... it's been a tough time for many Emerging Markets (EM)



Longest EM Bear Markets: 1988 - 2018			
Start	End	Change (%)	Calendar Days
2/10/00	9/21/01	-53.7	589
9/3/14	1/21/16	-37.5	505
1/26/18	9/6/18	-20.0	223
7/9/97	1/12/98	-38.2	187
4/18/02	10/10/02	-30.0	175
9/16/94	3/9/95	-32.6	174
8/1/90	1/16/91	-31.9	168
3/27/98	9/10/98	-46.4	167
5/19/08	10/27/08	-63.6	161
5/2/11	10/4/11	-31.1	155
10/29/07	1/22/08	-22.2	85
1/6/09	3/2/09	-21.8	55
5/8/06	6/13/06	-24.5	36
4/12/04	5/17/04	-20.4	35
11/4/08	11/20/08	-23.0	16

Source: Bespoke

- The US Dollar Index seems to have settled in around the 95 area where it spent most of the summer, finishing at 94.95
  - Part of the weakness in emerging markets has been the currency story



Source: MSCI.

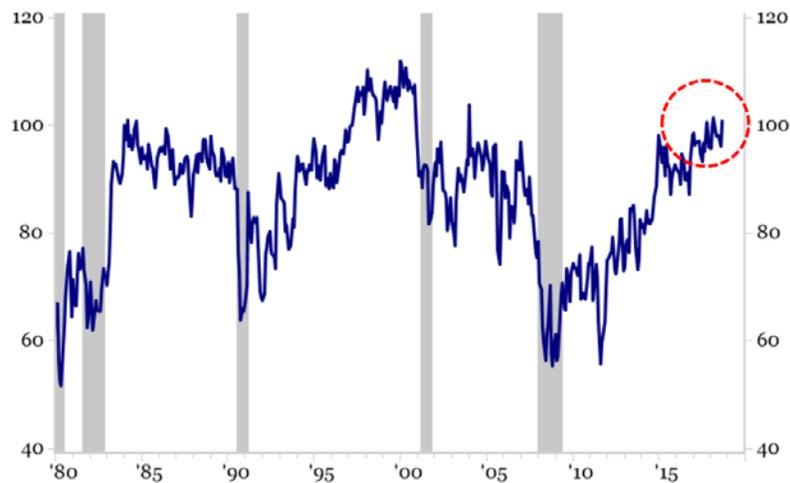
- Crude oil picked up over a buck to finish at \$68.99/barrel
  - Delivery issues and local shortages could push gas prices higher
- Gold was practically unchanged at \$1,202/troy ounce
- The 10-year Treasury finished a fraction below 3% at 2.998 ... it's moving higher in early trading on Monday
- The Volatility Index (VIX) calmed significantly as trade worries seemed to abate, finishing at 12.07, down nearly three points



- There were lots of parts moving around trade:
  - Trade talks with Canada dragged on
  - Discussions continued with the EU on the possibility of broadly eliminating tariffs
  - Repartee with China included threats of additional tariffs and movement on additional meetings, possibly as early as late this month ... meanwhile a grass roots lobbying campaign against tariffs emerged in the US
- President Trump's former campaign adviser, Paul Manafort, pled guilty to federal conspiracy charges
- A new bill in Congress making many of the recent tax cuts permanent and tweaking other tax issues, dubbed "tax reform 2.0," is making its way through the House of Representatives, but most question if the legislation has any hope to pass the Senate
  - It won't make much progress this week, as the House is not in session ... a vote is expected in early October
- John Williams recently left the Federal Reserve of San Francisco to become the head of the New York Fed, and now Mary Daly will succeed him in SanFran ... Williams' predecessor was Janet Yellen
- Industrial Production jumped 0.4% in August, a shade better than the +0.3% consensus forecast, with Capacity Utilization printing 78.1%
- The University of Michigan's Consumer Sentiment index registered 100.8 in the preliminary September reading, well above the 96.6 consensus estimate

University of Michigan: Consumer Sentiment

NSA, Q1-66=100



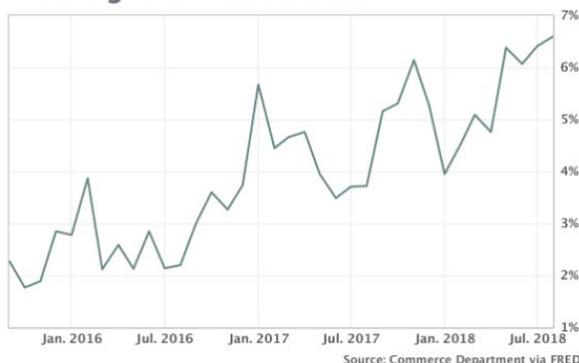
Source: University of Michigan

Source: Strategas

- Retail Sales rose 0.1% sequentially in August, their weakest tally in six months, and shy of the 0.3% consensus expectation. Excluding gasoline sales, the result would have been -0.1%. But on a year-over-year basis, retail sales are up 6.6% and have shown a nice, steady upward trajectory



Annual growth in retail sales



- NFIB's Small Business Sentiment hit a high in August; the last such record occurred 35 years ago
- The Producer Price Index dipped -0.1% in August, both on a headline basis and an ex-food and -energy basis, missing the +0.2% consensus forecast. That's the first monthly decline for the gauge in the last 18 months
- The Consumer Price Index edged up 0.2% in August, though that was a tick below the 0.3% consensus forecast. On a year-over-year basis, CPI rose 2.7%. Core CPI (excluding food and energy components) ticked up 0.1% sequentially and 2.2% y/y
- Jobless claims came in at 204,000, the lowest level in nearly 50 years
- SAIC is buying fellow government services provider Engility for \$1.5 billion in stock
- Japan's Renesas is acquiring Integrated Device Technology for \$6.7 billion
- At CBS, Chairman and CEO Les Moonves finally resigned amid sexual misconduct claims ... It was only one scene from the ongoing drama between CBS and Viacom
- Jack Ma, Chairman of Alibaba, confirmed he would be turning over the reins next year to CEO Daniel Zhang ... Alibaba holds an investor day today and tomorrow
- Apple announced its new line of iPhones, including the XS, XS Max and XR ... none are what you might call inexpensive ... a new Apple watch was also debuted
- **Amazon** briefly surpassed \$1 trillion in market value



Source: Bespoke



**This Week:**

- US markets are looking to open down slightly
- Major European markets are trading off around a half a percent
- The EU holds a Leaders Summit on Thursday
- Asian markets remain under pressure with Hong Kong (-1.3%) and Shanghai (-1.1%) while Japan is closed
- The Bank of Japan announces its policy decision on Wednesday
- Japan holds elections on Thursday, with Prime Minister Shinzo Abe expected to gain strength for his government
- North and South Korea's Presidents meet again the middle of this week
- The UN General Assembly goes into session on Tuesday
- Friday is a quadruple witching, with index futures, index options, stock futures and stock options all set to expire that day. The reconstitution of certain sectors also takes place Friday, with various stocks heretofore classified as Technology constituents getting shifted to Communications Services
- Earnings this week:
  - Monday: FedEx and **Oracle**
  - Tuesday: Autozone, Cracker Barrel and General Mills
  - Wednesday: CoPart and **Red Hat**
  - Thursday: Darden Restaurants and Micron Technology
- Economic reports:
  - Monday: Empire Manufacturing
  - Tuesday: NAHB Housing Index
  - Wednesday: Housing Starts/Building Permits and Current Account Deficit
  - Thursday: Jobless Claims, Leading Index and Existing Home Sales
  - Friday: Flash PMIs

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

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