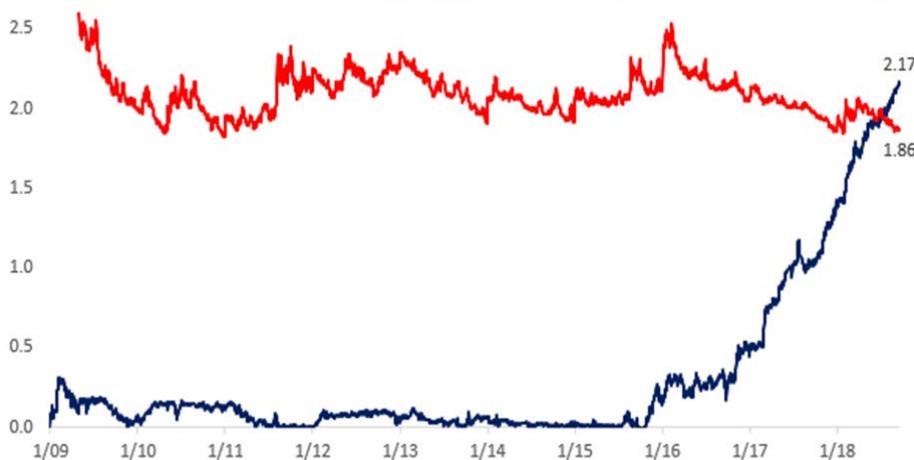




Last Week:

- The Dow Jones Industrial Average joined the other major indices by reaching record levels ... it eclipsed the all-time high set earlier this year in January with a gain this week of +2.3%
 - Only two stocks in the index declined, Apple (-2.8%) and Verizon (-0.1%)
 - Caterpillar led the winners with a 7.9% weekly gain
- Dow Transports missed the bus and retreated (-0.3%) while Dow Utilities powered down (-1.3%)
- The S&P 500 continued higher +0.9% ... the index is up 10 of 12 weeks thus far in the quarter
 - Materials +1.9% and Financials +1.8% led the way, with Industrials and Energy providing support
 - Utilities and Real Estate unexpectedly welcomed Technology to the group of declining sectors
- The S&P SmallCap 600 and S&P MidCap 400 couldn't get above water and posted declines of (-1.1%) and (-0.3%), respectively
- NASDAQ followed Technology's lead and fell (-0.3%)
- The 10-year Treasury finished above 3% where it spent most of the week, closing at 3.07%
 - It wasn't that long ago that the S&P 500 had a higher yield than the 10-year Treasury... now the yield has dropped below the 3-month rate

Dividend Yield of S&P 500 vs 3-Month US Treasury Yield (%): 2009 - 2018

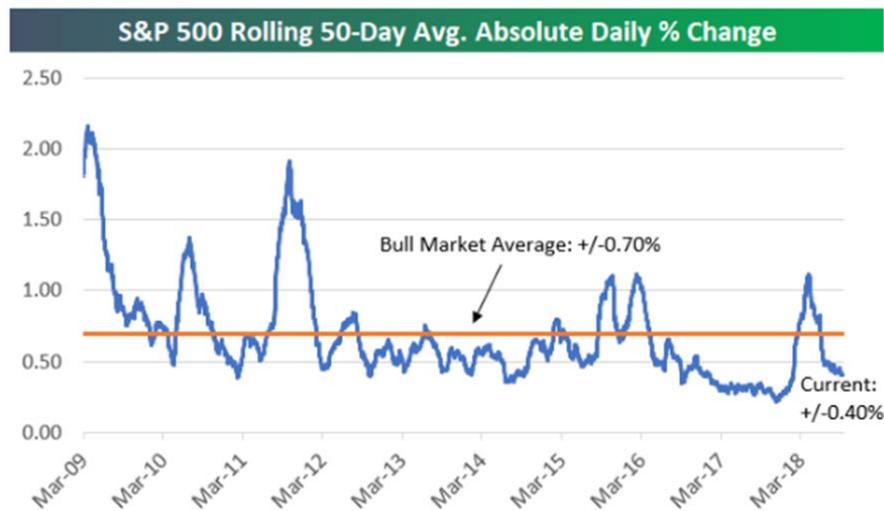


Source: Bespoke

- In world markets the story was bright:
 - The Stoxx Europe 600 gained another +1.7%
 - Major markets fared even better, with Frankfurt +2.5%, Paris +2.7% and London +2.6%
 - It was tough to find any market in the red ... Copenhagen (-0.2%) while Moscow had a second very strong week +5.0%
 - Asia-Pacific markets were also almost unanimously higher
 - China's Shanghai market bounced +4.3% while the Nikkei added +3.3%, Hong Kong tacked on +2.5% and China's Shenzhen popped +2.1%



- This year's strongest Asia-Pac market, Bombay, felt the other side of the trade, and tumbled (-3.3%)
- The US Dollar Index pulled back a bit to 94.22
- Crude oil moved back over \$70/barrel finishing at \$70.78, up nearly two bucks
- Gold dropped \$3 to \$1,199/troy ounce
- The Volatility Index (VIX) stayed low and finished at 11.68
 - Volatility in 2018 isn't as low as last year's record-setting levels, but it's still subdued compared to the bull market average. The S&P 500 experienced 36 trading days in the first half of the year which saw at least a 1% daily move; since July 1, there have been no such 1% days

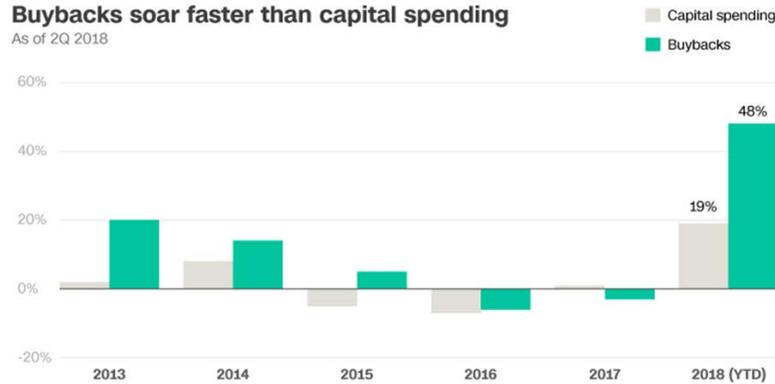


Source: Bespoke

- President Trump announced the implementation of 10% tariffs on another \$200 billion of Chinese imports, with the rate scheduled to increase to 25% on January 1. China responded in kind, assessing tariffs of its own on certain American goods. If trade wars are good and easy to win, we may have a real-world test of that thesis on our hands. So far, so good – U.S. markets notched record highs
 - Trade meetings between China and the US for the end of this week have been cancelled, as was feared when new tariffs were announced
 - Jack Ma of Alibaba changed his mind on bringing 1 million jobs to America
- The European Union Leader's summit meeting seems to have left Brexit with a cloudy outlook, as nothing was agreed to with deadlines looming early next year
- OPEC meetings with Russia over the weekend left production targets unchanged
- Meetings with Canadian officials continue to slog on without resolution ... at issue currently is auto tariffs
- Recent numbers show that tariffs have thus far been assessed in amounts of \$2.2 billion on steel and \$625 million on aluminum ... \$1.2 billion in duties have been placed on Chinese imports year to date
- Japan reelected Shinzo Abe for another three year term as prime minister in Japan



- Both capital spending and stock buybacks have lifted dramatically in 2018, with capital spending on track for its fastest pace of growth in 25 years, according to Goldman Sachs



Source: Goldman Sachs, Compustat

- Weekly Jobless Claims printed 201,000, better than the 210,000 consensus forecast, with Hurricane Florence impacting the number of Americans who were able to file for unemployment benefits; in other words, the weekly figure may lift in the weeks ahead as North Carolina residents who evacuated in advance of the storm return home
- The Philadelphia Fed index snapped back to 22.9 in September from 11.9 in August, and topped the 19.6 consensus estimate
- Conference Board Leading Indicators came in at a new all-time high level of 111.2, indicating future economic strength is still possible
- Housing Starts rose 9.2% in August to 1.282 million annualized units topping consensus estimates, though building permits fell -5.7% to their lowest level since May 2017

Housing starts

Annual rate in thousands of units, seasonally adjusted



Source: Commerce Department via FRED

- Existing Home Sales printed 5.34 million annualized units, flat with July, and just a shade below the 5.37 million consensus expectation

- According to Bloomberg, the crash of cryptocurrencies (80% since their January high) is now more severe than NASDAQ's dot.com implosion (78% peak-to-trough)



- **Marsh & McLennan** is buying London's Jardine Lloyd Thomson for \$5.66 billion in cash
- **Medtronic**, which already owned a minority stake in Mazor Robotics, is acquiring the entire company, for an incremental \$1.3 billion
- The Justice Department has opened a criminal fraud investigation of Tesla, with respect to CEO Elon Musk's public comments that the company had "funding secured" for a going-private transaction. Tesla shares promptly dropped on the news
- Canada's Tilray, a medical marijuana producer, saw its stock halted five times in a one hour span Wednesday for volatility. Having rocketed from \$20 at its initial public offering two months ago to \$300 by mid-day Wednesday, it closed Wednesday's session at \$168/share. By Friday morning, the shares had fallen to \$124. Is it a coincidence that the rise of medical marijuana stocks has roughly coincided with the collapse of cryptocurrencies? From one get-there-quick scheme to the next?
- ABX agreed to buy Randgold Resources to create the world's largest gold company
- Michael Kors could soon emerge as a buyer of Versace
- The Justice Department approved the merger of Cigna and Express Scripts
- **Comcast** won the bidding for Sky and its European customers and entertainment content with a bid of \$38.8 billion over the weekend



This Week:

- US markets are looking to open down slightly
- Major European markets are trading off modestly
- Asian markets had a good session with most markets higher, led by Shanghai +2.5% and Japan +0.8%, while Hong Kong lagged (-1.6%)
- Fall begins its first full week with cool temperatures on the east coast
 - Many rivers in North and South Carolina are only now expected to crest, with flood stages in many cases measured in feet above prior all-time records, and conditions not expected to improve for several days following the crest
- The Fed announces its rate decision on Wednesday, with another 25bps hike widely expected, while focus will be on the statement and press conference for hints about future action
- Chinese markets could see some extra volatility as traders try to position their crystal balls ... the markets are closed the following week entirely
- President Trump hosts a UN Security Council meeting on Wednesday with Iran the focus of the discussion
 - Should new sanctions be agreed to, oil prices could move higher near term
- Italy announces a new budget with fiscal targets
- South Korean President Moon Jae-in meets with President Trump following his summit with North Korean leaders last week
- Judiciary hearings probing sexual assault claims about Supreme Court nominee Brett Kavanaugh are expected on Thursday
- It's the last week for the Telecommunications Sector of the S&P ... the new Communications Services sector gets the call as 3Q comes to a close
- Earnings this week:
 - Tuesday: Cintas, **IHS Markit** and Nike
 - Wednesday: Bed Bath & Beyond and **CarMax**
 - Thursday: **Accenture**, **Carnival**, ConAgra and McCormick
 - Friday: Blackberry and Vail Resorts
- Economic reports:
 - Tuesday: Case-Shiller home prices and Conference Board Sentiment
 - Wednesday: New Home Sales
 - Thursday: Jobless Claims, GDP revisions, Pending Home Sales and Durable Goods
 - Friday: PCE, Personal Income/Spending, Chicago PMI and Michigan Consumer Sentiment

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

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Managing Director



Adam Bergman, CFA®
Executive Director

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