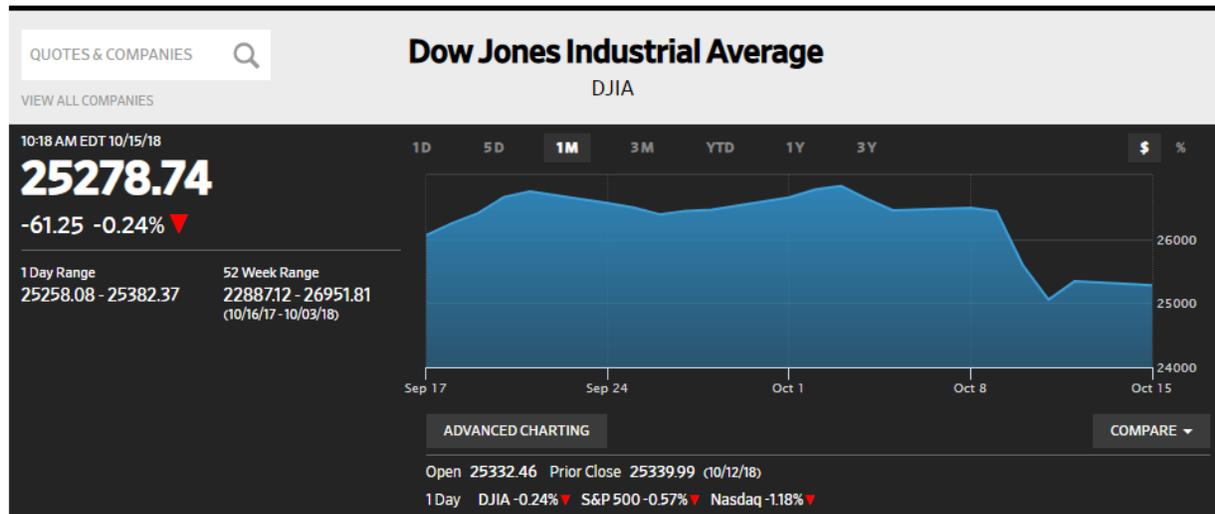




### Last Week:

- The Dow Jones Industrial Average fell off a cliff Wednesday and Thursday before bouncing on Friday, finishing down (-4.2%) on the week



Source: WSJ.com

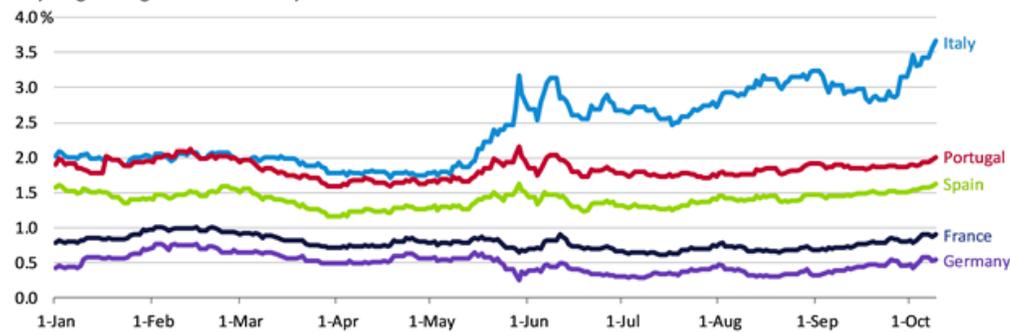
- Only two stocks managed to climb the “Wall” of worry for the week, WalMart +1.6% and **Walgreens** +1.4%
- Caterpillar (-7.3%) and 3M (-7.0%) led the losers, with Boeing, United Technologies, JPMorgan Chase and ChevronTexaco all dropping over six percent
- Dow Transports couldn’t put the brakes on its skid, dropping (-6.4%)
- Dow Utilities played defense, sort of, with a decline of only (-1.4%)
- The S&P 500 lost (-4.1%) on similar action to the Dow
  - The top performing group was Utilities, joined by Consumer Staples and Real Estate, not surprisingly
  - Leading the market lower were Materials and Industrials, each down over six percent, followed by Financials and Energy
  - The market action established yet another pullback (a decline of 5%-10%) bringing the total for the year to 3 ... in line with historical per year averages
    - Business Insider reports that 380 of the 500 stocks in the index are already in correction territory (a drop of 10%-20%), or worse
- The smaller stocks had another tough week
  - The S&P Midcap 400 has fallen consistently since September 20, dropping (-4.9%) this past week
  - The S&P Smallcap 600 slide has been more prolonged, since late August ... this week’s (-5.4%) fall took the index into correction territory at (-12.1%) ... it’s the first correction for this index since early 2016
- NASDAQ’s Composite faltered (-3.7%), only slightly worse than losses the prior week



- The VIX nearly doubled to an intraday high of over 27 before finishing the week at 21.31, an increase of seven and a half points from the prior week
- Crude oil fell \$3/barrel, ending the week at \$71.34
- Gold finished at \$1,220/troy ounce, up \$16 for the week
- The Dollar Index dropped only slightly to finish at 95.23, pretty much in line with the last four months
- The US 10-year Treasury finished the week at 3.16%, down seven basis points (bps)
  - Italian 10-year yields have continued to rise, but that seems for now to be an isolated event

#### Limited contagion from Italy's troubles into other Eurozone debt

10-year generic government bond yield



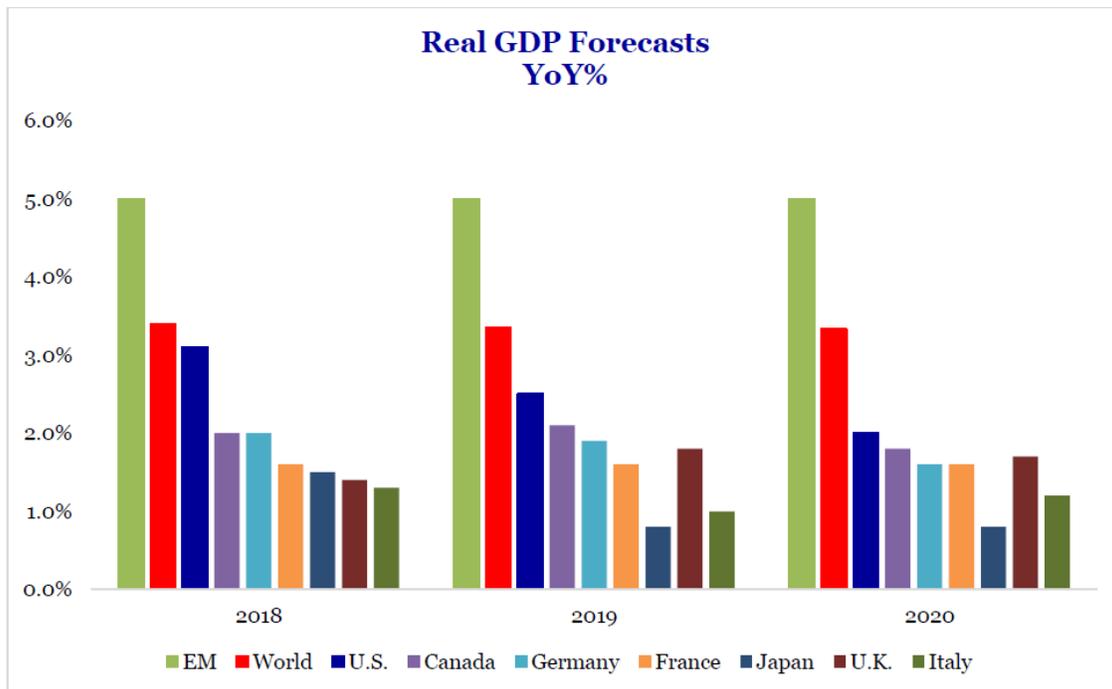
Source: Bloomberg

egx

- Most major markets worldwide were unable to escape the downdraft ... Brazil posted a second consecutive up week
  - The STOXX Europe 600 fell (-4.6%), with London, Frankfurt and Paris all posting similar results ... Turkey's Istanbul market managed a +1.9% week on the prospect of improving relations with the US
  - Asia Pacific markets were a bit more diverse, with Hong Kong (-2.9%) while Bombay posted a rare positive week +1.1% ... China's Shanghai (-7.6%) and Shenzhen (-6.9%) fared worse than most after being closed the prior week, while Tokyo (-4.6%) was more in line
- Weather was front and center again, as Hurricane Michael quickly strengthened from a tropical depression to near Category 5 strength, moving onshore on Florida's panhandle as the third strongest storm at landfall ... catastrophic damage in Florida became only significant damage as the storm crossed, Georgia, the Carolinas and Virginia ... remnants of the storm will hit Europe today
- President Trump put the blame for market weakness squarely on the Fed, calling them crazy ... he went on to opine, "... it's a correction we've been waiting for for a long time" even though the last correction was just last February
  - Fed Governor Williams stated that interest rates should get to neutral levels "within the next year or so" after Chairman Powell commented that the Fed funds rate is "a long way from neutral at this point, probably"
- The US made tentative plans for the President to meet with China's top dog, Xi Jinping, at the G-20 meeting in Buenos Aires in late November ... the meeting unsurprisingly will likely focus on trade



- Treasury officials seem to have found no reason to label China a currency manipulator at this time, but an announcement is due this week
- The Chinese renminbi has depreciated 10% versus the USD the past six months
- The IMF lowered its forecast for global GDP growth to 3.7%, down from 3.9%, for both 2018 and 2019, due primarily to the expected impacts from trade battles



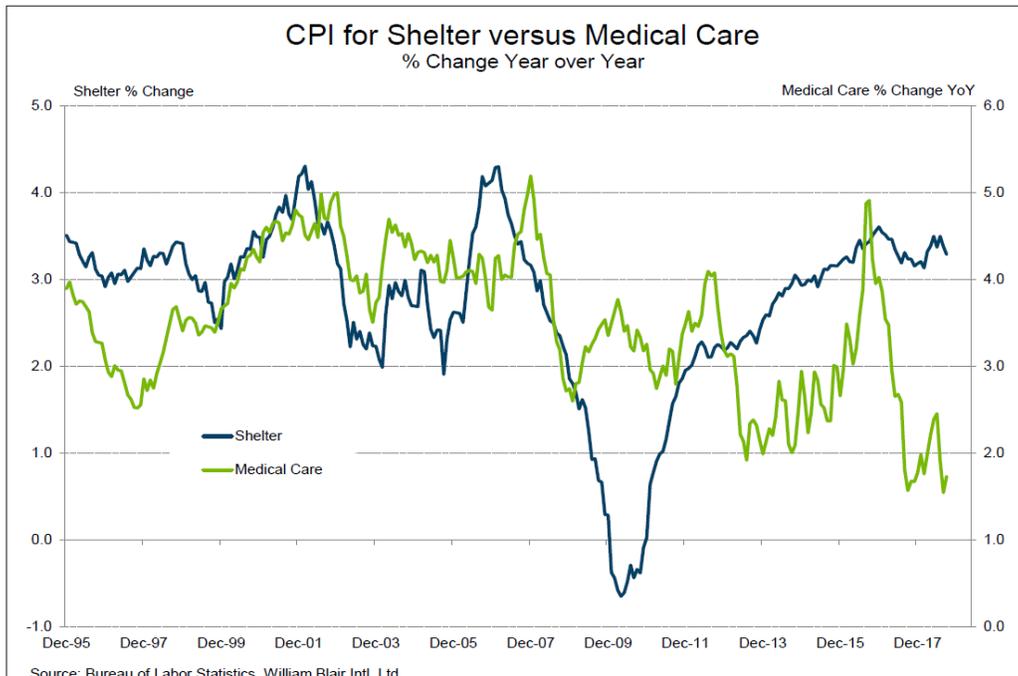
Source: IMF, OECD, Fed, BoC, BoF, DB, BoJ, BoI, BoE  
Last Updated: 10/11/2018

Source: Strategas

- The People's Bank of China cut their reserve requirements for commercial banking to inject some additional liquidity into markets and aid the economy
- UN Ambassador Nikki Haley resigned unexpectedly, saying she would serve until the end of the year
- Stamps could soon rise to \$0.55 ... keep those cards and letters coming
- **Alphabet** decided to shut down Google+ following its determination that a software glitch had allowed outside developers on the social network to access user data
- Banks kicked off earnings season with good numbers ... JPMorgan Chase saw profits increase 24% and beat analysts' expectations, while **Wells Fargo** grew profits 32% and Citigroup posted a 12% increase in net income
- The DOJ approved the merger of **CVS** and **Aetna**
- Harris and L-3 announced plans to merge over the weekend
- Small Business Optimism fell only slightly from record levels in the prior month
- The University Of Michigan Sentiment reading also came in at levels a scotch below the preceding month



- Producer Prices (PPI) increased by +0.2%, in line with expectations, with increased prices for airline seats the biggest driver
- Consumer Prices (CPI) rose less than expected, posting only a +0.1% increase, for both the core rate and the headline rate ... the annual headline change is +2.3%
  - Health care costs are seemingly more under control, while rents continue to accelerate faster than most wages



Source: William Blair

- Weekly Jobless Claims printed 214,000, up 7,000 from the prior week



### This Week:

- Overseas, stocks are falling again to open the week
  - Most Asia Pacific markets closed down over one percent
  - European markets are more stable, hovering just below break even
  - U.S. stocks are indicated to open down nearly half a percent
- Saudi Arabi said Sunday it would retaliate to any measures imposed due to the disappearance of Washington Post columnist Jamal Khashoggi. A Bloomberg article suggested the Saudi's threat broke "an essential oil market taboo" by suggesting use of oil as a weapon
  - Brent crude opened more than a dollar per barrel higher on the news
- Italy submits their formal budget to the EU today
- The EU Leaders Summit is scheduled for Thursday and Friday in Belgium... Brexit discussions seem to have reached an impasse regarding the Irish border that could thwart a final deal getting signed in mid-November
- The Fed releases the minutes of its last meeting on Wednesday
- China announces its 3Q GDP on Friday (the US announces on 10/26)
- The Senate and House are in recess until after mid-term elections
- Sears filed for Chapter 11 bankruptcy with desires to reorganize with a smaller store base
- Earnings season kicks into a higher gear
  - Monday: Bank of America
  - Tuesday: **Blackrock**, Comerica, CSX, Domino's Pizza, Healthcare Services Group, Infosys, Interactive Brokers, IBM, JB Hunt, **Johnson & Johnson**, Lam Research, Morgan Stanley, Netflix, **Omnicom**, Progressive, Prologis, United Continental, **United Health** and WW Grainger
  - Wednesday: **Abbott Labs**, ASML, **Crown Castle**, **Crown Holdings**, Kinder Morgan, M&T Bank, Northern Trust, Steel Dynamics, US Bancorp and United Rentals
  - Thursday: Alliance Data Systems, American Express, Atlassian, Bank of New York Mellon, BB&T, Canadian Pacific, Celanese, **Danaher**, Dover, E\*Trade, Ericsson, Genuine Parts, Intuitive Surgical, KeyCorp, Novartis, Nucor, **NVR Inc**, PayPal, **Philip Morris International**, PPG, SAP, **Snap-On**, Taiwan Semiconductor, Textron, Blackstone Group, Travelers and **Webster Financial**
  - Friday: Citizens Financial, **Gentex**, **Honeywell**, **Kansas City Southern**, Procter & Gamble, Rogers Communication, **Schlumberger**, State Street, SunTrust, Synchrony Financial and VF Corporation
- Economic data
  - Monday: Retail Sales
  - Tuesday: Industrial Production and Capacity Utilization
  - Wednesday: Housing Starts and Building Permits
  - Thursday: Weekly Jobless Claims and Leading Indicators



- Friday: Existing Home Sales

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

Farley Shiner, CFA®  
Managing Director

**The Chartered Financial Analyst® (CFA) charter** is a graduate-level investment credential awarded by the CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

Opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC, and not those of BB&T Corporation or its executives. The stated opinions are for general information only and are not meant to be predictions or an offer of individual or personalized investment advice. They also are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon any such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation, Branch Banking and Trust Company or any affiliate, are not guaranteed by Branch Banking and Trust Company or any other bank, are not insured by the FDIC or any other government agency, and are subject to investment risk, including possible loss of principal invested.