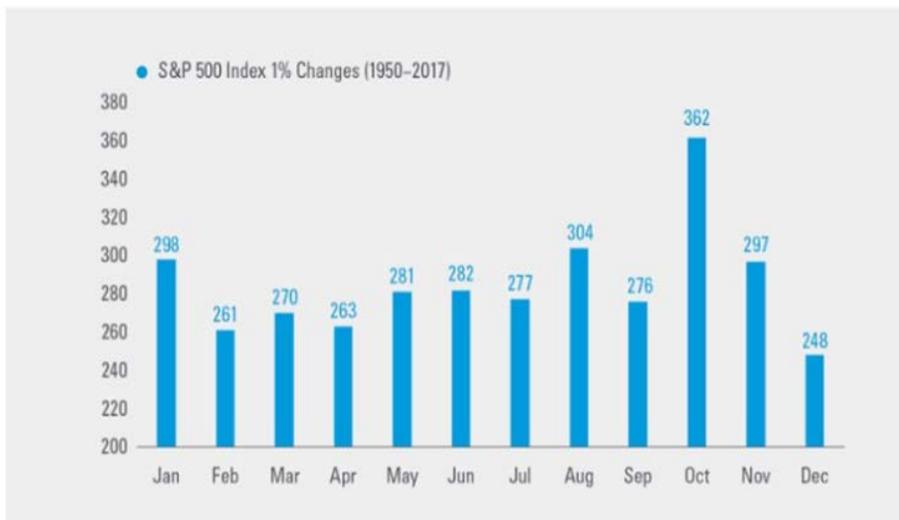




Last Week:

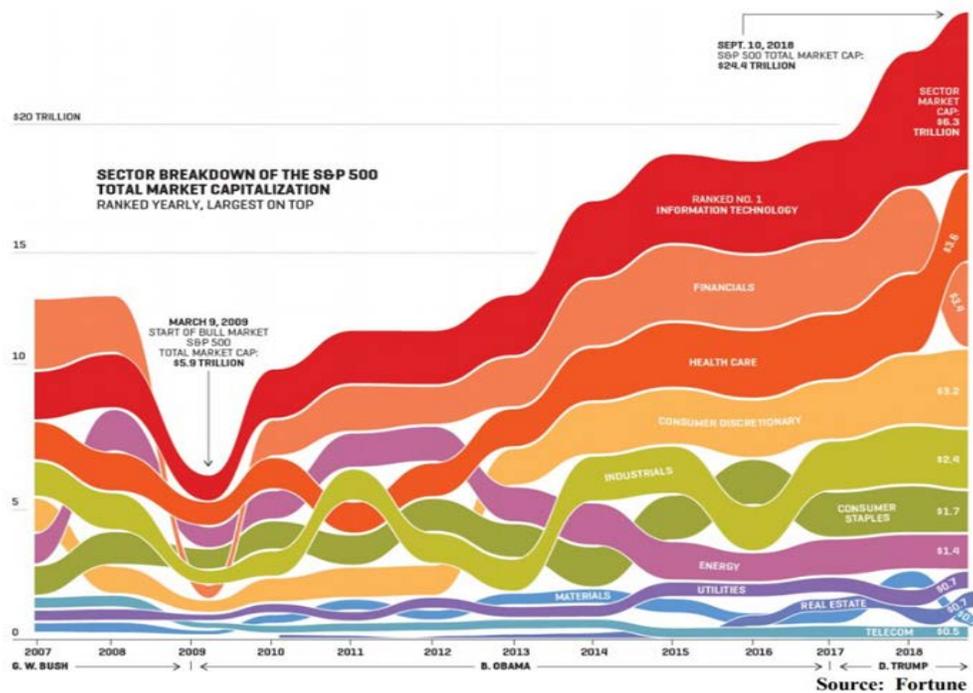
- The Dow Jones Industrial Average edged higher +0.4%
 - Nearly two stocks gained for each one that declined, led by Procter & Gamble with a double digit performance +10.4% ... Goldman Sachs, Disney and **Walgreens** each charged ahead 5%+
 - Standing out to the downside were IBM (-8.3%), Caterpillar (-7.6%, second straight week down over seven percent) and Home Depot (-6.6%)
 - On Tuesday, stocks turned in their best single day since March, with the Dow Industrials shooting up 548 points, led by strong earnings reports from constituents Goldman Sachs, **Johnson & Johnson** and **United Health**
- Dow Transports fell (-0.5%)
- Dow Utilities monopolized the positive action among the indices with a gain of +3.1%
- The S&P 500 finished the week nearly unchanged, but under the surface, the waters were far from calm
 - The Energy and Consumer Discretionary sectors each fell (-2.0%) for the week, while Materials and Technology each dropped (-1.2%)
 - To the positive side, Consumer Staples moved strongly higher +4.4% supported by Real Estate +3.3% and Utilities +3.1%
 - As Mark Twain once opined: October is one of the peculiarly dangerous months to speculate in stocks, the others being the remaining 11 months of the calendar year!



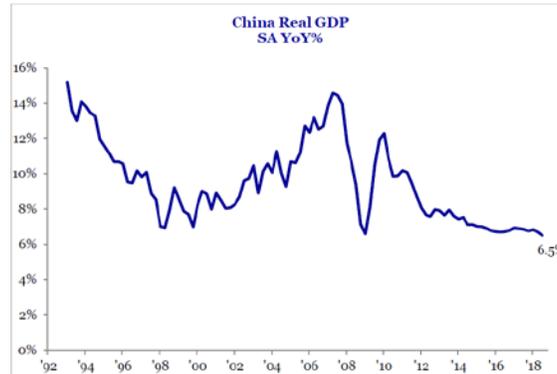
Source: LPL Research, FactSet 10/10/18

Courtesy LPL Financial

- While we are on the topic of volatility, we thought the following chart did a nice job illustrating the ebb and flow of various sectors over time

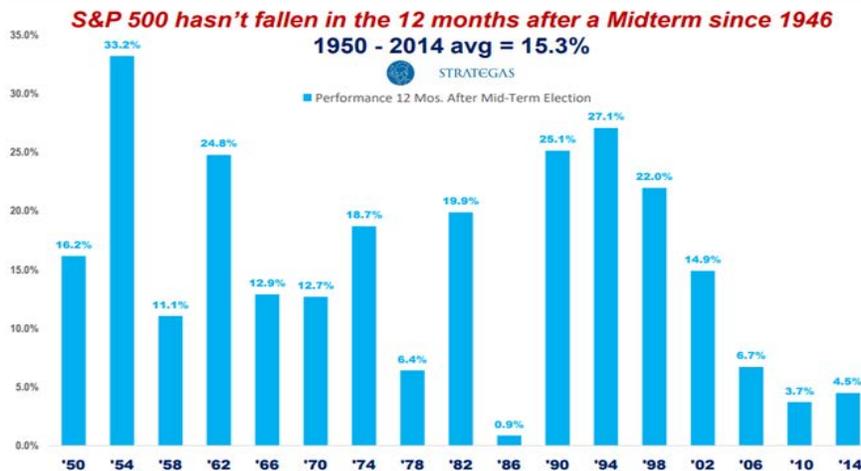


- The S&P Midcap 400 also moved little +0.1%, while the S&P Smallcap 600 saw negative results (-0.3%)
- NASDAQ's Composite also fell into red numbers (-0.6%)
- The VIX moved back below 20 to finish the week at 19.89, down just over one point
- Crude oil moved back below \$70, losing a couple of bucks at \$69.28/barrel
- Gold finished up a few dollars for the week
- The Dollar Index moved slightly higher to 95.64
- The US 10-year Treasury yield added three basis points to finish a fraction below 3.20%
- Major markets worldwide were mixed on the week
 - The STOXX Europe 600 moved higher +0.6% with London faring the best +0.8%, while Frankfurt eked out a small gain +0.2% and Paris fell into negative territory (-0.2%) ... Italy fell nearly 1%
 - Asia Pacific markets were a bit more red, with Hong Kong (-0.9%) and Tokyo (-0.7%) relatively better while Bombay (-1.2%) and China's Shanghai (-2.2%) and Shenzhen (-5.7%) markets tumbled
 - Chinese stocks rebounded Friday, despite a slightly below expectations GDP print. The 6.5% growth rate modestly trailed the 6.6% consensus forecast, and marked the economy's slowest growth since early 2009. Please remember that most nations would be cheering 6.5% economic growth



Source: Strategas

- Various Chinese market regulators opined favorably on its market, with Vice Premier Liu He saying the market’s recent slump “provides good investment opportunity,” and that the “psychological impact” of the trade spat with the United States “is bigger than the actual impact.” Even with Friday’s 2.6% gain, the Shanghai Composite has fallen nearly 10% month-to-date, and 25% since late January
- Separately, a semiannual report from the US Treasury did not name China a currency manipulator, despite pointing out numerous concerns
- Also, the Trump Administration announced plans to withdraw from a UN postal treaty, removing preferential postal rates from trading partners such as China
- Italy’s government cheered a report from Moody’s that showed the outlook as “stable.” A one-notch rating downgrade kept the country’s credit just above junk status ... S&P weighs in this week
- The new trade agreement among Mexico, Canada and the US will be called T-MEC rather than NAFTA ... evidently a Twitter poll was required to come up with the new moniker
- Mid-term elections are just two weeks away. Our recommendations are to read up on the candidates, and vote. History suggests the ensuing 12 months are generally favorable for stocks, perhaps reflecting the market prefers the certainty of an election outcome, versus the uncertainty preceding the election



Source: Strategas Research Partners



- President Trump criticized bankrupt retailer Sears, saying “It’s been obviously improperly run for many years, and it’s a shame.” Did you know? Treasury Secretary Steven Mnuchin served as a Sears Board member from 2005-2016, and was a college roommate of Sears CEO Eddie Lampert
- Dallas Federal Reserve President Robert Kaplan said he anticipates interest rates will reach a neutral level after two or three more quarter point increases
- Invesco announced it is acquiring Oppenheimer Funds for \$5.7 billion in a combination of cash of stock
- **Microsoft** co-founder Paul Allen passed away way too early, at the young age of 65
- Prudential was removed as a SIFI (Systematically Important Financial Institution) ... which should result in a bit less oversight for the company going forward
- Existing Home Sales for September fell 3.4% to 5.15 million on an annualized basis, the lowest since November 2015
- The Philadelphia Fed Index printed 22.2 in October, exceeding the 20.0 consensus estimate
- Weekly Jobless Claims came in at 210,000
- JOLTS job openings increased again, jumping over 7.1 million
- Industrial Production rose 0.3% in September, a tick better than the 0.2% consensus forecast



Source: Federal Reserve Board

Source: Strategas

- Leading Economic Indicators grew 0.5% to stay in record high territory



This Week:

- Overseas, stocks started the week generally higher
 - Most Asia Pacific markets managed fractional gains, but China +4.1% and Hong Kong +2.3% busted out
 - Chinese stocks were bolstered by President Xi's "unwavering" support for private enterprises, and a draft plan for income tax cuts
 - European markets are up about a half a percent in early trading
- U.S. stocks initially lifted, but by 10am had retreated into negative territory
 - Speaking of income tax cuts, President Trump said over the weekend that he is working on "a very major tax cut" for middle-income families. Treasury Secretary Mnuchin confirmed Sunday that "this is specifically focused on the middle class and not beyond that"
- The EU returns to the negotiating table this week to discuss trade with the US
- The European Central Bank (ECB) announces an interest rate action following its meeting on Thursday
- "Davos in the Desert" starts tomorrow in Saudi Arabia, despite a significant number of expected no shows due to the investigation surrounding the death of journalist Jamal Khashoggi
- The runoff election in Brazil happens on Sunday
- Earnings season kicks into an even higher gear
 - Monday: Cadence Design, **Halliburton**, Hasbro, **Hexcel**, IQVIA, Kimberly Clark, Koninklijke Philips and TD Ameritrade
 - Tuesday: 3M, Ameriprise, Avangrid, Biogen, Canadian National Railway, **Capital One**, Caterpillar, Centene, **Chubb**, Corning, **CoStar Group**, Edwards Lifesciences, Equity Residential, Fifth Third Bancorp, Huntington Bancshares, IDEX, Illumina, Juniper, Lockheed Martin, McDonald's, NextEra, PACCAR, Quest Diagnostics, Regions Financial, Texas Instruments, Total System Services, TransUnion, United Technologies, **Verizon** and Waters
 - Wednesday: Advanced Micro Devices, Aflac, Alexion Pharmaceuticals, Align Technology, Amphenol, **AT&T**, Barrick Gold, Boeing, Boston Scientific, **Check Point Software**, Citrix, Core Labs, DTE Energy, Equifax, F5 Networks, Fidelity National Financial, Ford, Freeport-McMoran, General Dynamics, Hilton, Illinois Tool Works, Ingersoll-Rand, LabCorp, Las Vegas Sands, **Microsoft**, **Nasdaq**, Norfolk Southern, Northrop Grumman, **O'Reilly Automotive**, PTC, Raymond James, **Restaurant Brands**, Rollins, ServiceNow, SiriusXM, STMicroelectronics, TechnipFMC, **Thermo Fisher Scientific**, **UPS**, Vertex Pharmaceuticals, **Visa**, Wipro and Xilinx
 - Thursday: ABB, **Alaska Air**, Allegion, Ally Financial, **Alphabet**, Altria, **Amazon**, American Airlines, American Electric Power, Anheuser Busch Inbev, Arthur J Gallagher,



BioMarin Pharmaceuticals, **Bristol-Myers Squibb**, Canon, Celgene, **Cerner**, Chipotle, Cincinnati Financial, **CME**, CMS Energy, **Comcast**, ConocoPhillips, Digital Realty Trust, **Discover Financial**, Eastman Chemical, EQT, Expedia, FirstEnergy, Fortive, Franklin Resources, **Gilead Sciences**, GrubHub, Hartford Financial, Hershey, Intel, International Paper, KKR, **Marsh & McLennan**, McKesson, **Merck**, **Mohawk Industries**, National Oilwell Varco, Newmont Mining, **Nielsen**, Nokia, **Old Dominion Freight**, Principal Financial, Raytheon, Regency Centers, Republic Services, ResMed, **S&P Global**, Seattle Genetics, Sherwin-Williams, Shopify, Simon Property, Southwest Airlines, **Stanley Black & Decker**, Stryker, SVB Financial, T Rowe Price, TAL Education, Teck Resources, Tractor Supply, Twitter, Union Pacific, Universal Health Services, Valero Energy, VeriSign, Waste Management, Western Digital and Xcel Energy

- Friday: **AON**, Cabot Oil & Gas, Charter Communications, Colgate-Palmolive, **Moody's**, Phillips 66, Roper Technologies, Ventas, Weyerhaeuser and Zimmer Biomet
- Economic data
 - Wednesday: New Home Sales and Home Prices, Markit PMIs
 - Thursday: Weekly Jobless Claims, Durable Goods, Wholesale Inventories and Trade Balances
 - Friday: US GDP for 3Q and Michigan Consumer Sentiment Index

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

Farley Shiner, CFA®
Managing Director

Adam Bergman, CFA®
Executive Director



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