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WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: February 17 - 23, 2019

Market	YTD	2018	2017	2016	5 years
US Stocks (large cap) (SPY)	11.69%	-4.56%	21.70%	12.00%	10.89%
US Stocks (small cap) (IWM)	18.11%	-11.11%	14.59%	21.60%	7.92%
Foreign Stocks (dev) (EFA)	9.08%	-13.81%	25.10%	1.37%	2.10%
Foreign Stocks (EM) (EEM)	10.19%	-15.31%	37.28%	10.87%	3.93%
Foreign Stocks (frontier) (FM)	10.55%	-17.75%	36.19%	2.02%	0.94%
US Bonds (AGG)	1.11%	0.10%	3.61%	2.41%	2.41%
Global Bonds (FWDB)	4.20%	-2.76%	6.13%	6.21%	3.00%
US Bonds (HY) (HYG)	6.02%	-2.02%	6.07%	13.41%	3.48%
US REIT (IYR)	13.41%	-4.30%	9.34%	7.03%	8.81%
Foreign REIT (IFGL)	9.10%	-6.37%	20.02%	1.42%	4.12%
Gold (GLD)	3.51%	-1.94%	12.81%	8.03%	-0.33%
Commodities (DBC)	11.04%	-11.62%	4.86%	18.56%	-9.04%

THE WEEK IN REVIEW: THE STREAK CONTINUES

On Christmas Eve, most people involved in the markets seemed to think stocks had further to fall. Two months later, the S&P 500 is up roughly 18 percent – a huge gain in a short amount of time. At this point we've seen nine straight weeks of gains.

Domestic equities moved higher again last week, and the Dow recorded its longest streak of weekly gains in nearly 25 years. Within the S&P 500, materials and utilities stocks led the gains, while healthcare shares and communication services stocks trailed. Thomson Reuters reported that nearly 90 percent of S&P 500 companies had reported fourth quarter results by the end of the week.

One driver for the gains appeared to be the release of the minutes from the Federal Reserve's last policy meeting, which highlighted that [Fed officials aren't sure they need to raise rates this year](#). Policymakers also indicated that they would stop shrinking the central bank's balance sheet by the end of the year.

Stock prices were supported by a brightening trade picture, amid reports that U.S.-China trade negotiations were picking up, increasing the likelihood of a trade deal before the March 1 deadline. President Trump met Chinese Vice Premier Liu He on Friday, and it's expected he will host Chinese President Xi Jinping in March, with hopes to finalize a trade agreement to end the nearly year-long tariff report. However, multiple reports suggest that the two sides remain far apart.

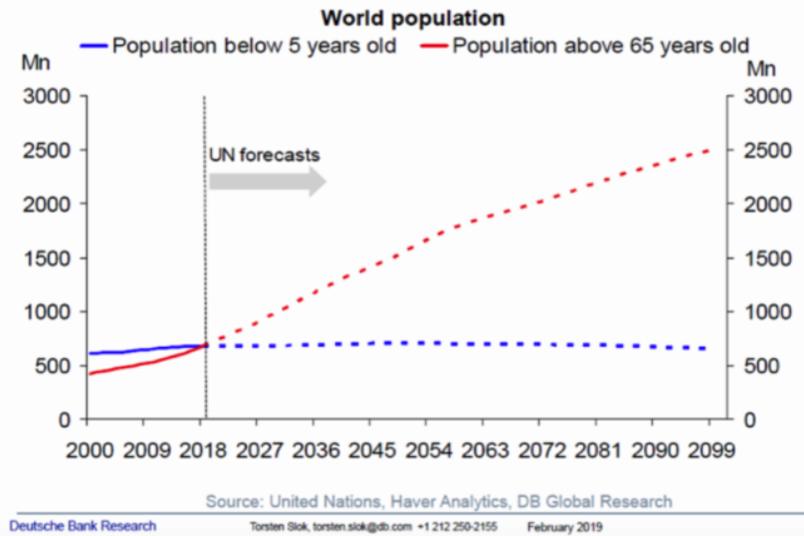
Economic data was mixed for the week. Core (ex-aircraft and defense) durable goods orders fell in December, continuing a pattern of slowing business investment. Factory activity in the mid-Atlantic was also on the down side, and existing home sales in January fell to their lowest level in over three years. On a positive note, weekly jobless claims fell more than expected, and IHS Markit's gauge of service sector activity was on the upside.

Longer-term bond yields remained roughly steady for the week, with the benchmark 10-year U.S. Treasury note starting and ending the week yielding 2.65 percent.

The pan-European STOXX Europe 600 rose for the week amid investor optimism on trade. The UK FTSE 100 lost ground, however, as the possibility of a no-deal Brexit grew. In Japan, the Nikkei 225 rallied 2.5 percent for the week, while the large-cap and small-cap TOPIX indexes also generated strong gains of about 2 percent. Chinese stocks also showed a gain amid trade optimism.

CHART OF THE WEEK

For the first time ever there are now more people in the world older than 65 than younger than 5



FROM THE HEADLINES

- Warren Buffet released his [annual investor letter](#).
- Economists at S&P Global raised the [probability of a U.S. recession in 2019 to 20-25 percent](#) – up from 15-20 percent – in large part because of the flattening U.S. Treasury yield curve.
- All major Asian economies, with the exception of the Philippines, now see [inflation rates at or below the lower end of their central banks' target](#).
- On account of negative yields in Europe, global investors are effectively paying governments to hold more than \$11 trillion of their bonds, a fresh sign of [ebbing economic confidence in Europe and Japan](#).
- The [annual deficit could pass the trillion-dollar mark](#) later this year.
- On February 15, the [Nasdaq ended its fourth-shortest bear market ever](#), climbing more than 20 percent above its Christmas eve lows. It is still 7.9 percent below last August's record high.
- Apple is [shaking up its executive team and reordering priorities](#) across its services, artificial intelligence, hardware and retail divisions.
- Nike's stock [dropped 1.27 percent](#), shedding \$1.6 billion in market cap after Duke basketball star Zion Williamson blew out his shoe in last week's game against UNC.

- Kraft Heinz wrote down the value of its Kraft and Oscar Mayer brands by \$15.4 billion, slashed its dividend and [disclosed an investigation by the SEC](#).
- [Walmart's fourth quarter profits and revenues](#) came in above expectations. U.S. same-store sales rose 4.2 percent.
- From 1979 to 2017 productivity grew 70.3 percent, while [hourly compensation of production and nonsupervisory workers](#) grew just 11.1 percent.
- Americans are [stressing over going broke in retirement](#).
- The three leading insurance and agent associations are working together to [support a state "standard of care" proposal](#) for agents that rejects fiduciary responsibility for agents and financial advisors.
- The U.S. Treasury's [auction of \\$8 billion in 30-year inflation-protected bonds](#) met with strong demand, a sign that some investors see potential for consumer prices to rise.

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