



Weekly Market Review

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The Week Ending October 27, 2018

It was another difficult week in the equity markets with the major U.S., International, and Emerging Market Indices all down 3-4%. In fact, over the past few weeks, the U.S. equity markets have given back just about all of 2018 gains. As of Friday's close, the S&P 500 and the Dow Jones Industrial remained in positive territory year-to-date with 1.0% and 1.7% returns while the Russell 2000 (U.S. Small Caps) is down -2.4%. And while equity markets have been pressured in the U.S. recently, it has been more difficult overseas. The MSCI EAFE, which represents developed international markets, and the MSCI Emerging Markets indices are down -11.2% and -17.2% year-to-date respectively.



It's clear that investors are concerned with the uncertainty surrounding the shakeup of the existing world order. *The Wall Street Journal* last week published that the U.S. is refusing to resume trade talks with China until the Chinese formally address the United States' concerns surrounding technology and intellectual property rights. President Trump and President Xi will both be attending the G20 Summit in late November. The two have plans to meet at the summit, but it is unlikely very much detail will be discussed. Out of the European Union, BREXIT negotiations continue to be bumpy and Italian debt worries are adding to uncertainty.

In the U.S., while the markets have been volatile, the economic data continues to come in very positive. U.S. GDP grew by 3.5% in the third quarter beating the 3.3% forecast. The unemployment rate is at multi-decade lows, and wages are increasing. Roughly half of the S&P companies have now reported third-quarter earnings with an average growth rate of 22.5%. If it holds, this would be the third quarter in a row with 20%+ earnings growth. Even with economic growth and wage growth, inflation remains very low. As long as inflation remains low, the Fed will not be forced to raise rates too quickly to stifle the growth. All-in-all, from a current data perspective, the economy continues to look strong.



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