THE WEEK IN REVIEW

U.S. stock indexes retreated from all-time highs on Thursday and Friday in response to signs that the coronavirus outbreak may be causing a broader and more adverse impact on business and consumer activity than previously thought. Chinese state television reported that the epidemic in China has been tentatively contained but has not reached a turning point. Meanwhile, both South Korea and Japan reported increases in confirmed infections. On Monday, consumer technology giant Apple warned that its quarterly revenue may fall short of previous guidance due to the effects of the coronavirus on its manufacturing and sales efforts; the news dampened positive sentiment throughout the week. Weakness in the broader technology sector led the S&P 500 Index to post its first weekly decline since January.

Yields on the 10-year U.S. Treasury bond declined to 1.47% on Friday marking their lowest levels since early September 2019. Meanwhile, yields on the 30-year U.S. Treasury bond touched an all-time low of 1.92% in today’s trading session. Gold prices advanced nearly 4.0% this week, as the precious metal benefitted from the risk-off tone across markets. Minutes from the January FOMC meeting which were released on Wednesday indicated that Federal Reserve officials “expected economic growth to continue at a moderate pace” and that policymakers do not see any pressing need to either cut or raise interest rates in the near future.

The IHS Markit Services Purchasing Managers’ Index (PMI) fell by 3.7 points in February to 49.4. Any reading below 50 indicates a contraction in activity. This is the first time that the PMI has been in the contractionary zone since the U.S government shut down in late 2013. Fears about the coronavirus outbreak have likely caused purchasing managers to be more hesitant to place orders. U.S. producer prices in January jumped 0.5% from December and are up 2.1% since January of 2019. Services accounted for 90% of the month-over-month increase in producer prices amid substantial price increases in the retail segment.

Existing home sales in January declined slightly from December to an annualized rate of 5.46 million units. The demand for housing remains strong, though, as the median price for existing homes increased 6.8% from a year ago to $266,300 in January. Meanwhile, the inventory of homes remains tight at just 3.1 months’ supply compared to the twenty-year average of 5.8 months.

ECONOMIC INDICATOR          | LATEST | 3MO PRIOR | CHANGE |
---                          | ---    | ---       | ---    |
Existing Home Sales (Millions Annualized) | 5.46   | 5.41      | ▲      |
Markit US Services PMI       | 49.4   | 51.6      | ▼      |
Producer Price Index (YoY)   | 2.1%   | 1.1%      | ▲      |
Leading Economic Indicators (YoY) | 0.9%   | 0.2%      | ▲      |

INDEX                      | LEVEL   | WEEK  | YTD   | 12 MO   |
---                        | ---     | ---   | ---   | ---     |
DJ Industrial Average      | 28992.41| -1.38%| 1.59% | 12.15%  |
NASDAQ                    | 9576.59 | -1.59%| 6.73% | 28.38%  |
S&P 500                   | 3337.75 | -1.25%| 3.31% | 20.28%  |
MSCI EAFE                 | 2003.68 | -1.24%| -1.63%| 7.32%   |
Bbg Barclays Aggregate US | 2273.82 | 0.30% | 2.19% | 10.00%  |

KEY BOND RATES             | WEEK   | 1MO AGO | 1YR AGO |
---                        | ---    | ---     | ---     |
3-Month T-Bill            | 1.55%  | 1.53%   | 2.44%   |
10-Year Treasury          | 1.47%  | 1.77%   | 2.69%   |

REPORTS DUE NEXT WEEK      | LATEST |
---                        | ---    |
GDP (QoQ Annualized)       | 2.1%   |
U. of Mich. Consumer Sentiment | 100.9  |
Core PCE Price Index (YoY) | 1.58%  |
Durable Goods Orders       | 2.4%   |

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.