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Market Week: December 3, 2018

The Markets (as of market close November 30, 2018)

Stocks rebounded last week, posting their best gains since February. The S&P 500 climbed 4.85% last week, a percentage jump not reached since the end of 2011. Overall, the large-cap indexes and the tech-heavy Nasdaq outperformed the small caps of the Russell 2000, which rebounded nicely, nevertheless. As has been the case for most of the year, foreign trade made headlines early last week as President Trump threatened to impose further sanctions on China in advance of the Group of 20 summit. However, more positive rhetoric from both the White House and China at the end of the week may have quelled worries of an all-out trade war, at least for the time being. Comments from Federal Reserve Chairman Jerome Powell last week implied that the Fed may be rethinking the timing of further interest rate hikes, although another quarter-of-a-point bump in December is still a strong possibility.

Oil prices stabilized following several weeks of losses, ending last week at about \$50.72 per barrel by late Friday, up from the prior week's closing price of \$50.39 per barrel. The price of gold (COMEX) gained for the third week in a row, climbing to \$1,227.80 by Friday evening, up from the prior week's price of \$1,223.40. The national average retail regular gasoline price was \$2.539 per gallon on November 26, 2018, \$0.072 lower than the prior week's price but \$0.006 higher than a year ago.

Market/Index	2017 Close	Prior Week	As of 11/30	Weekly Change	YTD Change
DJIA	24719.22	24285.95	25538.46	5.16%	3.31%
Nasdaq	6903.39	6938.98	7330.54	5.64%	6.19%
S&P 500	2673.61	2632.56	2760.17	4.85%	3.24%
Russell 2000	1535.51	1488.68	1533.27	3.00%	-0.15%
Global Dow	3085.41	2852.37	2936.77	2.96%	-4.82%
Fed. Funds target rate	1.25%-1.50%	2.00%-2.25%	2.00%-2.25%	0 bps	75 bps
10-year Treasuries	2.41%	3.03%	2.99%	-4 bps	58 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic Headlines

- The second estimate of the third-quarter gross domestic product showed the economy expanded at an annual rate of 3.5% — the same rate as reported following the initial estimate last month. The GDP grew at an annualized rate of 4.2% in the second quarter. Compared to the initial estimate for the third quarter, this rendering indicated consumer spending, the main driver of the GDP, declined 0.4 percentage point to 3.6%, while state and local government spending also came in lower. On the other hand, business inventories expanded significantly, adding to the overall growth of the GDP. The trade deficit, a negative in the calculation of the GDP, averaged \$74.6 billion in the third quarter.
- Personal income increased by 0.5% in October. Disposable (after-tax) income also grew by 0.5%. The





Key Dates/Data Releases

12/3: PMI Manufacturing Index, ISM Manufacturing Index

12/5: ISM Non-Manufacturing Index

12/6: International trade

12/7: Employment situation

increase in personal income primarily reflected increases in wages and salaries, proprietors' income, and government social benefits payments. Consumer spending for goods and services rose by 0.6% in October. Within goods, spending for prescription drugs was the leading contributor to the increase. Within services, the largest contributor to the increase was spending for household electricity and gas. Consumer prices for goods and services increased 0.2% for the month. Core prices, excluding food and energy, inched up 0.1%. For the 12 months ended in October, consumer prices rose 2.0%. Core prices are up 1.8% over the same period — 0.2 percentage point below the Fed's target inflation rate.

- The first month of fiscal 2019 saw the international goods trade deficit reach \$77.2 billion in October. The deficit was \$76.3 billion in September. Exports were \$140.5 billion, \$0.8 billion less than September exports. Imports of goods for October were \$217.8 billion, \$0.2 billion more than September imports.
- The housing sector continues to stall as new home sales dipped 8.9% in October following a 1.0% drop in September. For the 12 months ended in October, new home sales are down 12.0%. The median sales price of new houses sold in October was \$309,700 (\$321,300 in September). The average sales price was \$395,000 (\$379,000 in September). The seasonally adjusted estimate of new houses for sale at the end of October was 336,000, representing a supply of 7.4 months at the current sales rate.
- For the week ended November 24, the advance figure for seasonally adjusted initial claims for unemployment insurance was 234,000, an increase of 10,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended November 17. The advance number of those receiving unemployment insurance benefits during the week ended November 17 was 1,710,000, an increase of 50,000 from the prior week's level, which was revised down by 8,000.

Eye on the Week Ahead

Investors are hoping a favorable employment report this week will favorably influence the stock market.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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