

THE WEEK IN REVIEW

President Donald Trump addressed the nation on Tuesday in his State of the Union, stressing the need for a more united effort. S&P 500 futures had little reaction as the speech went on, and equity markets traded relatively flat on Wednesday. Fourth quarter earnings season has helped the recent rally in U.S. equities, but the deadline for a U.S.-China trade deal remains an overhang on the market. A deal in the near-term looks less likely after White House Economic Advisor Larry Kudlow remarked the negotiations have "a pretty sizable distance to go." Markets closed the week with the S&P 500 advancing 0.1% and the Dow climbing a modest 42 points.

Growth expectations continue to moderate lower as stimulus from the corporate tax cut fades. The New York Federal Reserve reduced their first quarter growth estimate on Friday to 2.17%, down from 2.39% in the prior week. The services sector decelerated in January to its slowest growth rate in six months, largely impacted by the government shutdown.

Initial jobless claims neared post-recession lows, coming in at 234,000 for the week ending February 2, down from 253,000 in the prior week. Wages increased for the fourth quarter of 2018, with the Employment Cost Index increasing 3.1% for the private sector and 2.6% for the government over the prior year. This compares with 2.6% for the private sector and 2.5% for the government in 2017. Wages have finally started to mildly accelerate after prolonged tightness in the labor market.

U.S. service sector activity decelerated in January according to the ISM's non-manufacturing index. Although January's 56.7 reading was above the 50.0 dividing line between expansion and contraction, it was a significant drop from the upwardly revised December level of 58.0.

The European Commission reduced its estimates for economic growth across the euro zone in 2019 from 1.9% to 1.3%. Global trade tensions and the economic slowdown in China are the two main factors cited by the Commission that have weighed on the European Union's economy.

BB&T Corp. and SunTrust Banks Inc. announced the biggest U.S. bank merger since the financial crisis in an all-stock transaction valued at approximately \$66 billion. If approved, the deal will create the sixth largest bank in the U.S. by assets. The deal is estimated to close in the fourth quarter of 2019, pending regulatory approval.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Initial Jobless Claims (Thousands)	234	214	▲
Durable Goods Orders	0.7%	4.7%	▼
Trade Balance (\$ Billions)	-49.3	-53.7	▲
ISM Non-Manufacturing	56.7	60.0	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25106.33	0.17%	7.63%	5.22%
NASDAQ	7298.20	0.47%	9.99%	7.69%
S&P 500 Large Cap	2707.88	0.05%	8.02%	4.92%
MSCI EAFE	1822.51	-0.41%	5.97%	-9.90%
Barclays Aggregate US	2069.00	0.28%	1.09%	3.11%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.41%	2.39%	2.44%	1.54%
10-Year Treasury	2.63%	2.68%	2.73%	2.82%

REPORTS DUE NEXT WEEK	LATEST
U. of Mich. Consumer Sentiment	91.2
Consumer Price Index (YoY)	1.9%
Producer Price Index (YoY)	2.5%

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