CAROLINA
WEALTH ADVISORS

MARKET MONTH: AUGUST 2019

The Markets (as of market close August 30, 2019)

Despite a closing push, August closed on a weak note for stocks, ending a tumultuous month marked by high volatility. Investors moved away from stocks, fearing that the ongoing U.S.-China trade war would negatively impact domestic and global economies. As a result, gold prices surged and long-term bond yields plummeted as prices rose. Despite the wide market swings, consumers spent more of their income as the job market remained strong.

By the close of trading on the last day of the month, each of the benchmark indexes listed here fell, with the small caps of the Russell 2000 being hit the hardest, followed by the Global Dow, the Nasdaq, the S&P 500, and the Dow, which lost over 1.70% from its July closing value. Year-to-date, each of the indexes remain ahead of their respective 2018 closing prices. However, compared to their values at the end of August 2018, the Dow and the S&P 500 are up 1.70% and 0.86%, respectively, while the Nasdaq (-1.80%), the Russell 2000 (-14.10%), and the Global Dow (-4.00%) have lost value.

By the close of trading on August 30, the price of crude oil (WTI) was $55.16 per barrel, down from the July 31 price of $57.88 per barrel. The national average retail regular gasoline price was $2.574 per gallon on August 26, down from the July 29 selling price of $2.715 and $0.253 less than a year ago. The price of gold rose by the end of August, climbing to $1,529.20 by close of business on the 30th, up from its $1,426.10 price at the end of July.

Market/Index	2018 Close	Prior Month	As of August 30	Month Change	YTD Change
DJIA	23327.46	26864.27	26403.28	-1.72%	13.19%
NASDAQ	6635.28	8175.42	7962.88	-2.60%	20.01%
S&P 500	2506.85	2980.38	2926.46	-1.81%	16.74%
Russell 2000	1348.56	1574.60	1494.84	-5.07%	10.85%

Global Dow	2736.74	3059.35	2953.12	-3.47%	7.91%
Fed. Funds	2.25%-2.50%	2.00%-2.25%	2.00%-2.25%	0 bps	-25 bps
10-year Treasuries	2.68%	2.02%	1.50%	-52 bps	-118 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.

Latest Economic Reports

- **Employment:** Total employment increased by 164,000 in July after adding 193,000 (revised) new jobs in June. The average monthly job gain so far in 2019 is roughly 164,000 per month (223,000 in 2018). Notable employment increases for June occurred in professional and business services (31,000), health care (30,000), and social assistance (20,000). The unemployment rate remained at 3.7% in July. The number of unemployed persons increased slightly to 6.1 million in July (6.0 million in June). The labor participation rate was 63.0% (62.9% in June) and the employment-population ratio was 60.7% (60.6% in June). The average workweek decreased 0.1 hour to 34.3 hours for July. Average hourly earnings increased by $0.08 to $27.98. Over the last 12 months ended in July, average hourly earnings have risen 3.2%.

- **FOMC/interest rates:** The Federal Open Market Committee did not meet in August, after lowering interest rates by 25 basis points following its latest meeting in July. The Committee next meets in September. Due to mixed economic factors, it is unclear whether rates will remain as they are, or be reduced further.

- **GDP/budget:** Economic growth appears to have slowed in the second quarter, according to the second estimate of the gross domestic product. The second quarter grew at an annualized rate of 2.0%. The first quarter saw an annualized growth of 3.1%. Consumer prices and spending increased in the second quarter, rising 2.2% and 4.7%, respectively. Pulling the GDP down in the second quarter were negative contributions from fixed business investment (equipment, software, structures, etc.) and exports. The federal budget deficit was $119.7 billion in July ($76.9 billion in July 2018). Through the first ten months of the fiscal year, the government deficit sits at $866.8 billion. Over the same period for fiscal year 2018, the deficit was $684.0 billion.

- **Inflation/consumer spending:** Inflationary pressures remain weak as consumer prices rose 0.2% in August and are up 1.4% over the last 12 months ended in July. Consumer prices excluding food and energy increased 0.2% in July and 1.6% since July 2018. In July, consumer spending rose 0.6% (0.3% in June). Personal income and disposable (after-tax) personal income climbed 0.1% and 0.3%, respectively, in July.
- The Consumer Price Index increased 0.3% in July following a 0.1% hop in June. Over the 12 months ended in July, the CPI rose 1.8%. Energy prices jumped 1.3% on the month with gasoline up 2.5%. Prices less food and energy rose 0.3% in July — the same increase as in June. Core prices (less food and energy) are up 2.2% over the last 12 months.
- According to the Producer Price Index, the prices companies received for goods and services rose 0.2% in July after increasing 0.1% in June and 0.1% in May. The index increased 1.7% for the 12 months ended in July. The price index less foods, energy, and trade services fell 0.1% in July after registering no change the prior month. The price index less foods, energy, and trade services increased 1.7% over the last 12 months.
- **Housing:** Activity in the housing market can be described as erratic at best. Existing home sales jumped 2.5% in July after falling 1.7% in June. Year-over-year, existing home sales are up 0.6%. Existing home prices fell in July, as the median price for existing homes was $280,800 — off from June's all-time high of $285,700. Nevertheless, existing home prices were up 4.3% from July 2018. Total housing inventory for existing homes for sale in July decreased to 1.89 million (1.93 million in June), representing a 4.2-month supply at the current sales pace. Sales of new single-family houses plummeted in July after surging the previous month. July's new home sales fell 12.8%, down from June's robust total. New home sales are still 4.3% ahead of their July 2018 estimate. The median sales price of new houses sold in July was $312,800 ($310,400 in June). The average sales price was $388,000 ($368,600 in June). Inventory at the end of July was at a supply of 6.4 months (6.3 months in June).

- **Manufacturing:** According to the Federal Reserve, industrial production declined 0.2% in July after remaining unchanged in June. Manufacturing output decreased 0.4% in July and has fallen more than 1.5% since December 2018. In July, mining output fell 1.8%, while utilities rose 3.1%. Total industrial production was 0.5% higher in July than it was a year earlier. Orders for durable goods jumped 2.1% in July after increasing 2.0% the prior month. New orders for capital goods used by businesses to produce consumer goods surged 5.0% after rising 1.4% in June. Core capital goods (excluding defense and aircraft) increased 0.4% in July.

- **Imports and exports:** Import and export prices rebounded slightly in July from their June totals. Import prices rose 0.2% after falling 1.1% in June. Despite the July increase, import prices have decreased 1.8% over the past 12 months. Import fuel prices rose 1.8% in July after a 7.3% drop in June. Excluding fuel, import prices fell 0.1% for the third consecutive month in July. Export prices jumped ahead 0.2% in July after decreasing 0.9% in June. Export prices have fallen 0.9% for the year ended in July. The latest information on international trade in goods and services, out August 2, is for June and shows that the goods and services deficit was $55.2 billion, down slightly from the revised $55.3 billion deficit in May. June exports were $206.3 billion, $4.4 billion less than May exports. June imports were $261.5 billion, $4.6 billion less than May imports. Year-to-date, the goods and services deficit increased $23.2 billion, or 7.9%. Exports increased $0.5 billion, or less than 0.1%. Imports increased $23.8 billion, or 1.5%. The advance report on international trade in goods (excluding services) revealed the trade deficit declined to $72.3 billion in July, down from $74.2 billion in June. Exports of goods in July were $137.3 billion, $0.9 billion more than June exports, while imports of goods were $209.7 billion, $0.9 billion less than June imports.

- **International markets:** British Prime Minister Boris Johnson attempted to shut down Parliament for several weeks as part of his effort to shunt opponents to his plan to push through a "no deal" Brexit on October 31. The move sent global stocks, government bond yields, and the pound reeling. In economic news, the German economy shrank 0.1% in the second quarter but is up 0.4% over the same period last year. Inflationary pressures continue to wane in Japan, as its Consumer Price Index inched up 0.1% in July, and is up only 0.5% year-over-year. In China, economic growth dipped to a 27-year low in the second quarter amid the trade war with the United States. As the rainforest fires raged in his country, Brazilian President Jair Bolsonaro refused to accept $20 million in aid from G7 countries stemming from a personal rift between Bolsonaro and French President Emmanuel Macron.

- **Consumer confidence:** Despite a plunging stock market in August, consumers were fairly upbeat in their assessment of the economy. The Conference Board Consumer Confidence Index® declined marginally in August following July's robust numbers — falling to 135.1 from 135.8. Consumers' assessment of current business and labor market conditions increased, although consumers' short-term outlook for income, business, and labor market conditions was not quite so positive.

Eye on the Month Ahead

Stocks took a sizable hit last month, and if the ongoing trade war continues in September, investors will likely face more turmoil. The economy has weathered the storm thus far on the heels of a strong jobs market and robust consumer spending, but that could change as we enter the third quarter.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing);

S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: 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). 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. 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. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

IMPORTANT DISCLOSURES

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