

Weekly Recap

Economic Calendar

Monday, October 27

Dallas Fed Manufacturing Index, Core Capital Good Orders**

Tuesday, October 28

Case-Shiller Home Price Index, Consumer Confidence, Richmond Fed Manufacturing Index.

Wednesday, October 29

Mortgage Activity, Pending Home Sales, FOMC meeting.

Thursday, October 30

Jobless Claims**, Q3 GDP**

Friday, October 31

PCE Inflation**, U.S. Personal Spending**

***Shutdown Delayed.*

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[Inflation Softer than Expected](#)

[Mortgage Applications Decline](#)

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Second Straight Week of Gains

Broad Stock Market Gains

Stocks advanced for a second straight week, with the S&P 500, Dow Jones Industrial Average, Nasdaq and Russell 2000 all closing at record highs on Friday. While the overhang of the government shutdown persists, investor sentiment was boosted by a strong start to third quarter earnings season, optimism for another Fed rate cut this week, cooler than expected inflation, and renewed hope for a U.S.-China trade deal.

For the Week...

The S&P 500 climbed 1.93%, finishing the week at a new record high. The Dow Jones Industrial Average gained 2.24% and the tech-heavy Nasdaq Composite rose 2.31%, marking a second straight week of gains. Small caps outperformed once again, with the Russell 2000 advancing 2.51%.

Inflation Rises Lower than Expected

The consumer price index (CPI) rose 0.3% in September, below expectations of +0.4%. Core CPI also missed forecasts at +0.2% month-over-month versus +0.3% expected. Shelter, a key driver of inflation, eased to a 4-year low of 3.58% year-over-year. Despite September's downside surprise, both headline and core CPI remain up 3% Y/Y, above the Fed's 2.0% target.

Weekly Sector Insights

Nine of eleven S&P 500 sectors posted gains last week led by Information Technology (+2.75%), Energy (+2.38%) and Consumer Discretionary (+1.95%). Consumer Staples (-0.50%) and Utilities (-0.19%) were the only declining sectors. In year-to-date (YTD) performance, Information Technology (+26.17%), Communication Services (+26.10%) and Utilities (+23.29%) have performed best this year while Energy (+5.82), Consumer Staples (+5.31%), and Consumer Discretionary (+4.89%) have gained the least. All eleven sectors are still up for the year.

Intermediate Treasury Yields Edge Lower

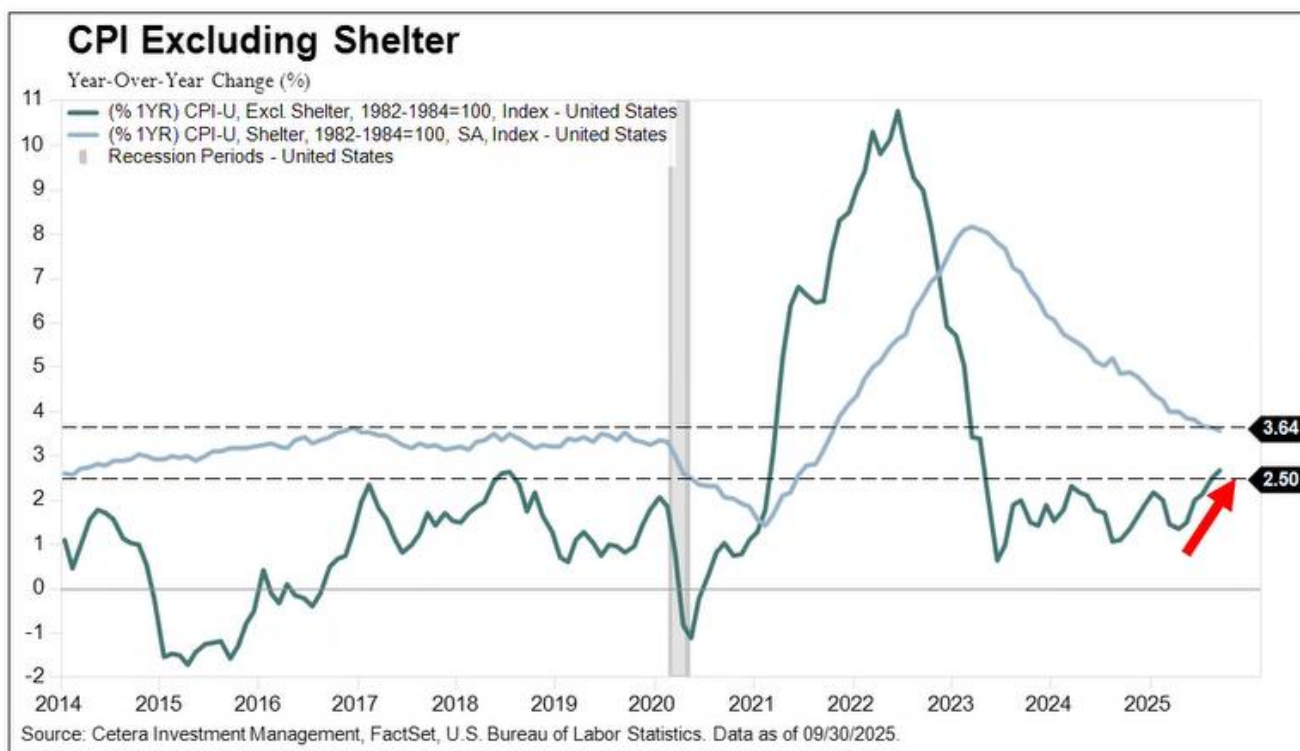
The yield on 10-year Treasury notes edged narrowly lower last week from 4.007% to 3.997%. The yield on two-year Treasuries, however, rose slightly to 3.48%. The U.S. Dollar Index increased 0.5% to 98.95. Gold futures fell 1.8% to \$4,137.80 per ounce. U.S. WTI crude oil futures rose for the first time in four weeks, surging 6.9% to \$61.50 per barrel.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	2.24%	1.82%	6.07%	12.49%	13.32%	16.66%
S&P 500	1.93%	1.61%	7.06%	16.68%	18.43%	23.16%
NASDAQ Composite	2.31%	2.42%	10.36%	20.78%	26.85%	29.39%
Russell 3000	1.95%	1.64%	7.13%	16.27%	18.26%	22.48%
Russell 2000	2.51%	3.20%	11.97%	13.92%	14.83%	14.51%
MSCI EAFE	1.25%	1.64%	4.10%	27.19%	22.19%	21.22%
MSCI Emerging Markets	2.05%	3.26%	9.99%	31.69%	24.99%	21.00%
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg US Agg Bonds	0.17%	1.20%	3.88%	7.41%	6.39%	6.27%
Bloomberg Municipal Bonds	0.28%	1.31%	5.07%	3.98%	4.21%	5.41%
Bloomberg US Corp High Yield	0.40%	0.24%	2.28%	7.48%	8.24%	10.85%
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	1.74%	2.89%	4.08%	12.54%	12.27%	3.61%
S&P GSCI Crude Oil	7.61%	-1.39%	-6.86%	-14.25%	-12.38%	-10.07%
S&P GSCI Gold	-1.79%	6.83%	20.60%	56.68%	50.53%	35.71%

Source: Cetera Investment Management, FactSet. Total returns used, which includes dividends and interest.

Chart of the Week: Inflation Excluding Shelter Rising



CPI cooled more than expected in September, but much of the surprise is due to falling shelter costs (rent prices) seen in the light blue line. CPI excluding shelter, the green line, is rising. We saw a sizeable rise in prices in apparel, new car prices and food. However, the fall in CPI should cement a Fed rate cut this week.

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Glossary

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

The **Bloomberg US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 8.25 years.

The **Bloomberg US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity.

The **MSCI EAFE** Index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000.