

October
2018

Economic & Market Chartbook



CAPITAL MARKET CONSULTANTS, INC.

Investment Manager, Capital Market and Economic Research

Highlights of the Month

U.S. job growth rebounded sharply in October and wages recorded their largest annual gain in 9 ½ years, pointing to further labor market tightening that could encourage the Federal Reserve to raise interest rates again in December. As reported by the Labor Department, nonfarm payrolls increased by 250,000 jobs in October while the unemployment rate remained unchanged at 3.7%, a 49-year low. Economists had been expecting a 190,000 increase in jobs and a 3.7% unemployment rate. Trade policies continue to be a concern. The International Monetary Fund (IMF) recently cut its global growth forecast as trade tensions have started to hit worldwide economic activity. The IMF expects the world economy to grow at a 3.7% pace in 2018 and 2019, each a 0.2% decline from the previous forecast. In equity markets, the divergence between the U.S. stock market and that of the rest of the world continues to be noteworthy. Year-to-date, the S&P 500 is up 3.0% while the MSCI EAFE index has fallen 9.3%. And following months of relative stability, volatility returned to equity markets in October as investors seem to be focusing more on earnings growth sustainability than on generally strong third quarter corporate reporting. For the month, the S&P 500 generated a 6.84% loss while the MSCI EAFE index fell 7.96%. Fixed income markets were also broadly negative as the 10-year Treasury yield reached 3.25% for the first time since late April 2011. The Barclays U.S. Agg Bond Index fell 0.79% while the Barclays Global Agg Ex. USD bond benchmark dropped 1.39%.

