



Zhang Financial

Charles Zhang, CFP®, MBA, MSFS, ChFC®, CLU®
 Managing Partner & CEO
 5931 Oakland Drive
 Portage, MI 49024
 269-385-5888
 charles.zhang@zhangfinancial.com
 www.zhangfinancial.com



Market Week: July 30, 2018

The Markets (as of market close July 27, 2018)

Tech stocks and small caps took a hit last week as both the Nasdaq and Russell 2000 lost value. The large caps of both the S&P 500 and the Dow closed in positive territory following a turbulent week of trading. Of note last week was the descent in value taken by a major social media company, which lost over \$120 billion in market value. Even with the loss, the company's value remains one of the highest in the world. Trade tensions between the United States and the European Union were eased somewhat last week as negotiations between the economic giants are ongoing. Conversely, relations between China and the United States remain icy. Long-term Treasury prices fell last week, sending yields higher as reports intimated that more restrictive monetary policies of some major central banks are in the offing.

The price of crude oil (WTI) fell again last week, closing at \$69.00 per barrel, down from the prior week's closing price of \$70.31 per barrel. The price of gold (COMEX) advanced slightly last week, closing at \$1,232.60 by early Friday evening, up from the prior week's price of \$1,231.30. The national average retail regular gasoline price climbed to \$2.831 per gallon on July 23, 2018, \$0.034 lower than the prior week's price but \$0.519 higher than a year ago.

Market/Index	2017 Close	Prior Week	As of 7/27	Weekly Change	YTD Change
DJIA	24719.22	25058.12	25451.06	1.57%	2.96%
Nasdaq	6903.39	7820.20	7737.42	-1.06%	12.08%
S&P 500	2673.61	2801.83	2818.82	0.61%	5.43%
Russell 2000	1535.51	1696.81	1663.34	-1.97%	8.32%
Global Dow	3085.41	3037.08	3085.75	1.60%	0.01%
Fed. Funds target rate	1.25%-1.50%	1.75%-2.00%	1.75%-2.00%	0 bps	50 bps
10-year Treasuries	2.41%	2.89%	2.95%	6 bps	54 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 advance estimate for the second-quarter gross domestic product projected economic growth at 4.1%. In the first quarter, the GDP increased 2.2%. Consumer spending (+4.1%) drove much of the estimated growth in the second quarter. Current dollar GDP grew 7.4% (4.3% in the first quarter). The price index for gross domestic purchases expanded 2.3%, compared with an increase of 2.5% in the first quarter. Disposable personal income increased \$167.5 billion, or 4.5%, in the second quarter, compared with an increase of \$256.7 billion, or 7.0%, in the first quarter. It is important to note that this advanced report is based on source data that is incomplete or subject to further revision, which will be noted in the next two reports in August and September.
- Sales of existing homes continued to slow in June. Sales declined 0.6% for the month following



Key Dates/Data Releases

7/31: Personal income and outlays

8/1: ISM Manufacturing Index, PMI Manufacturing Index, FOMC announcement

8/3: Employment situation, international trade, ISM Non-Manufacturing Index

decreases in both April and May. Existing home sales are now 2.2% below their rate from a year ago. Single-family home sales fell 0.6% and are 2.3% below their sales pace of a year ago. According to the National Association of Realtors®, a severe housing shortage is keeping homes moving off the market at a quick clip while driving prices higher. The median existing-home price for all housing types in June was \$276,900, surpassing last month as the new all-time high, and up 5.2% from June 2017 (\$263,300). The median existing single-family home price was \$279,300 in June, up 5.2% from June 2017. Total housing inventory climbed 4.3% in June and is up 0.5% from a year ago. Unsold inventory is at a 4.3-month supply at current prices.

- Sales of new single-family homes also dipped in June, falling 5.3% below their May pace. Nevertheless, new home sales are still up 2.4% over their June 2017 estimate. The median sales price of new houses sold in June was \$302,100. The average sales price was \$363,300. The estimate of new houses for sale at the end of June was 301,000. This represents a supply of 5.7 months at the current sales rate.
- Orders for long-lasting goods increased 1.0% in June following two consecutive monthly decreases. Transportation drove much of the gain last month. Excluding transportation, durable goods orders rose a moderate 0.4%. Shipments of durable goods escalated 1.7% in June as did unfilled orders, which increased 0.4%. Inventories fell for the second consecutive month, dropping 0.1%.
- The goods trade deficit was \$68.3 billion in June, up \$3.6 billion, or 5.5%, from May. Exports dropped \$2.2 billion for the month, while imports increased \$1.3 billion.
- In the week ended July 21, there were 217,000 initial claims for unemployment insurance, an increase of 9,000 from the previous week's level, which was revised up 1,000. The advance rate for insured unemployment claims remained at 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended July 14 was 1,745,000, a decrease of 8,000 from the prior week's level, which was revised up by 2,000.

Eye on the Week Ahead

The last few days of July into August is a period that includes several important economic events. The Federal Open Market Committee (FOMC) meets for the first time since the second week of June when the Committee voted to increase interest rates by 25 basis points. Will the FOMC be influenced by President Trump's appeal to refrain from another rate hike this summer? Employment figures for July are also available next week. There were 213,000 new jobs added in June; wages, meanwhile, increased by an average of only 0.2% for the month, but are up 2.7% over the past 12 months.

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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