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# Weekly Insight

**February 20, 2019**

We are approaching the end of earnings season, with nearly 87% of S&P 500 companies reporting earnings for the fourth quarter of 2018. Earnings have grown by close to 16% with a surprise factor of 3.49%. Growth has been led by the Energy, Communication Services and Industrials Sectors. Materials and Utilities are the only sectors to experience negative earnings growth for the season. We have seen top-line growth too. Reported companies saw sales growth of more than 7% with a surprise factor of 1.31%.

We have seen some guidance downgrades for the first quarter of 2019. Earnings are expected to be flat or down, with revenue expected to grow low- to mid-single digits. These estimates tell the story of margin compression in the coming season.

Retail sales numbers came out late last week, driving market prices down. The decline of 1.2% showed weakness in consumer purchasing despite the expectation for growth of 0.1%. The surveyed numbers have been questioned due to the disruption in gathering of data because of the government shutdown. According to the survey, online sales were down 3.9%. This is despite several large retailers reporting strong fourth-quarter sales. The only bright spot in the report was a 1% increase in sales of motor vehicles and part dealers.

Growth has been varied across states. The Empire State Index, a survey of manufacturers in New York, recorded a reading of 8.8. This is better than the expected 7.2 and the previous month's 3.9. That is counter to another East Coast state's manufacturing survey numbers. The Philadelphia Fed Index saw a decline of 4.1, which is worse than the expected 14.5 and the previous month's 17.

Headline Producer Price Index (PPI) dipped slightly in January. The reading for the month was 0.1, showing a decrease in prices. Core PPI, after removing the effects of food and energy, grew by 0.3% in the month.

Business inventories declined by 0.1%, compared to the expected growth of 0.3%. Businesses building their inventories have traditionally indicated economic growth. Consumer sentiment, on the other hand, remains strong as indicated by the Michigan Sentiment Index. February sentiment is at 95.5, compared to the previous month's 91.2 and the expected 93.5.

Oil prices reacted positively to OPEC supply cuts and sanctions on Venezuela and Iran. West Texas Intermediate Crude rose by more than 4% this week.

## Weekly Market Topics

- **Economy**
- **Fixed Income Markets**
- **Equity Markets**

***All data is as of the above referenced date.***

| Interest Rates (%) | Current | 12M Ago | 3YR Ago |
|---|---|---|---|
| Fed Funds Rate (Upper bound) | 2.50 | 1.50 | 0.50 |
| 3-Month T-Bill | 2.44 | 1.44 | 0.23 |
| 10-Year Treasury | 2.64 | 2.59 | 2.03 |
| 30-Year Treasury | 3.00 | 2.86 | 2.81 |
| 10-Year Corporate AA | 3.45 | 3.33 | 3.26 |
| 10-Year High Yield Corp. | 6.05 | 5.37 | 6.35 |

| Commodity Prices ($) | Current | 12M Ago | 3YR Ago |
|---|---|---|---|
| Gold ($/oz.) | 1,338.44 | 1,326.84 | 1,088.88 |
| Oil (WTI, $/barrel) | 57.16 | 60.03 | 43.14 |

| Currencies | Current | 12M Ago | 3YR Ago |
|---|---|---|---|
| USD (Dollar Index Spot) | 96.45 | 90.54 | 98.96 |
| USD/EUR | 0.88 | 0.82 | 0.92 |
| USD/JPY | 110.85 | 111.29 | 116.98 |


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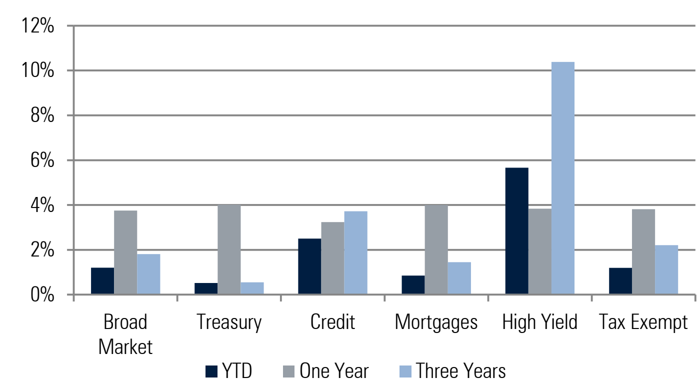
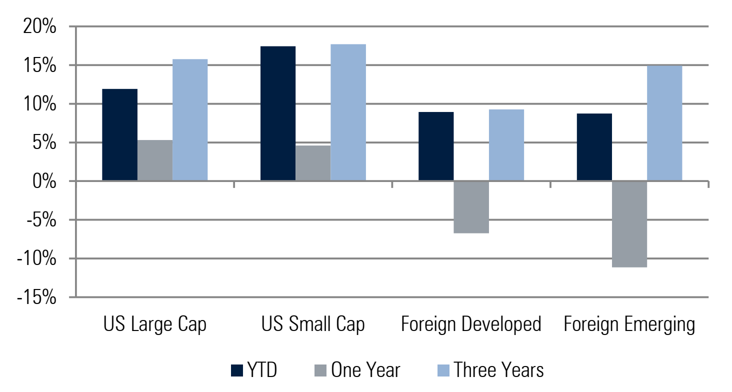
## Bond Market Total Returns




## Equity Market Total Returns




Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.
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