WEEKLY MARKET UPDATE

RIVERBEND INVESTMENT MANAGEMENT | INVESTMENT INSIGHTS | DECEMBER 9, 2019

The major U.S. benchmarks ended the week mixed after a strong jobs report sparked a rally at the end of the week.

The smaller-cap benchmarks outperformed their larger-cap brethren for a second consecutive week.

The S&P 400 mid cap index led the way rising 0.6% followed by the small cap Russell 2000 and S&P 500, which added 0.6% and 0.2%, respectively.

The technology-heavy NASDAQ Composite and Dow Jones Industrial Average each finished the week down -0.1%.

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International Markets:

Canada's TSX retreated -0.3%, while the United Kingdom's FTSE fell a steeper -1.5%.

On Europe's mainland, France's CAC 40 gave up -0.6%, Germany's DAX fell -0.5% and Italy's Milan FTSE fell -0.3%.

Asian markets fared better, with China's Shanghai Composite rallying 1.4% and Japan's Nikkei rising 0.3%.

As grouped by Morgan Stanley Capital International developed markets added 0.8%, while emerging markets rose 1.3%.

Commodities

Precious metals retreated this week, with gold giving up -0.5% to close at $1465.10 per ounce and silver fell -3% to $16.60.

Oil retraced all of last week's decline rallying 7.3% to $59.20 per barrel of West Texas Intermediate crude.

The industrial metal copper, viewed as a barometer of global economic health due to its wide variety of uses, rose for a third straight week gaining 2.4%. (**Figure 1**)

FIGURE 1

Copper prices rose for the third straight week.

U.S. Economic News

Hiring surged in November as the economy added a robust 266,000 new jobs last month and the unemployment rate returned to the 50-year low of 3.5%, the Bureau of Labor Statistics (BLS) reported.

The increase in employment was the biggest since the beginning of the year, boosted by the return of nearly 50,000 UAW workers that had been on strike.

Hiring was strong across the board with health care, hospitality, and professional occupations leading the way.

Chris Low, chief economist at FHN Financial stated, "This was a strong report, with a solid rise in payrolls, another drop in the unemployment rate, and decent growth in hourly earnings." The strong BLS numbers are expected to translate into a healthy holiday shopping season.

Sal Guatieri, senior economist at BMO Capital Markets wrote, "All these new jobs will only put an extra spring in the step of holiday shoppers."

Economists really missed, with their average expectation of just 180,000 new jobs.

Manufacturing activity in the U.S. rose to a seven-month high last month, according to the U.S. Manufacturing Purchasing Managers Index (PMI) from IHS Markit.

The PMI's final reading for November was 52.6, driven by the strongest improvement since April, IHS Markit said. The reading was up 1.3 points from October.

In the details, IHS Markit reported production and new orders rose at their fastest rates since January, with both domestic and foreign client demand strengthening.

Despite the increase, though, the reading remained below the long-run series trend.

Chris Williamson, IHS Markit chief business economist, said business sentiment "remains worryingly subdued," with expectations about future growth down from earlier in the year. "Firms remain very concerned about the disruptive effects of tariffs and trade wars in particular, both in terms of rising prices and weakened demand," Mr. Williamson said.

The news for the services side of the economy wasn't as positive as that for the manufacturing side, according to research firm ISM.

The Institute for Supply Management (ISM) reported its index of service-oriented companies such as hospitals, retailers and restaurants, fell to 53.9 last month from 54.7. **(Figure 2)**

While numbers over 50 still indicate expansion, the index has come down sharply from a 13-year high of 60.8 hit just a little over a year ago. In the report, the index for business production in the service sector slumped 5.4 points to 51.6, accounting for most of the decline in the overall survey.

Yet new orders actually rose, as did employment and exports.

The index for employment rose to 55.5 from 53.7 suggesting increased hiring for the holiday season, but companies still reported having a hard time finding qualified workers with unemployment at a 50-year low.

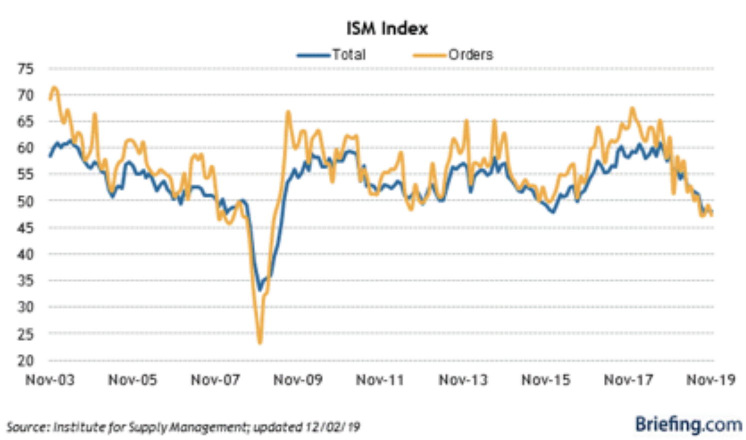


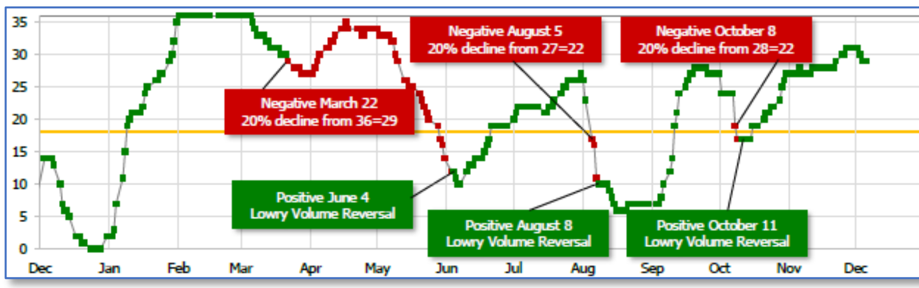
FIGURE 2

ISM Index

A similar survey of the services side of the economy by IHS Markit rose 1 point to 51.6 last month.

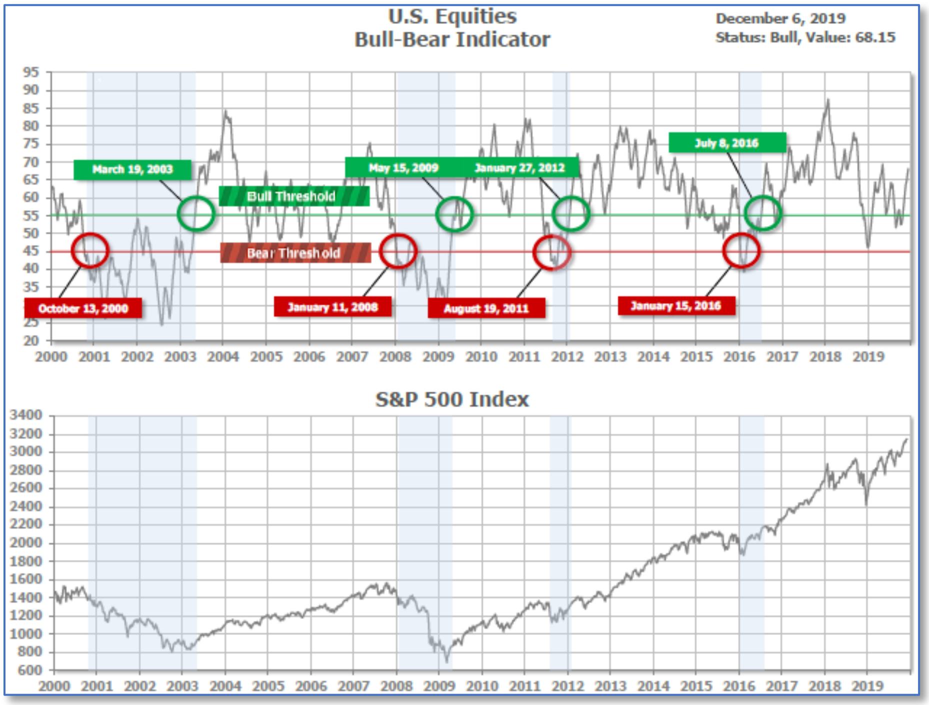
Technical Indicators

Short Term Trend: Our short term trend indicator remains positive. The indicator ended the week at 29, down from the prior week's 31 **(Figure 3).**



Separately, the Intermediate-term Quarterly Trend Indicator - based on domestic and international stock trend status at the start of each quarter – was **positive** entering October, indicating positive prospects for equities in the fourth quarter of 2019.

Bull/Bear Market Status (aka The Big Picture): The "big picture" is the months-to-years timeframe – the timeframe in which Cyclical Bulls and Bears operate. The U.S. Bull-Bear Indicator is in **Cyclical Bull** territory is at 68.15, up from the prior week's 66.36. **(Figure 4)**



The average ranking of Defensive SHUT sectors rose to 15.00 from the prior week's 15.50, and the average ranking of the Offensive DIME sectors slipped to 16.75 from the prior week's 16.50.

The Defensive SHUT sectors slightly expanded their slim lead over the Offensive DIME sectors.

Note: these are "ranks", not "scores", so smaller numbers are higher ranks and larger numbers are lower ranks.

U.S. Intermediate-Term Asset Class Rankings

	Major Asset Classes	Type	Rank	Week Ago Rank
Above Average - best for new positions	Technology	3	1	1
	Nasdaq 100	1	2	2
	LargeCap Value	1	3	3
	Financial	3	4	4
	LargeCap Blend	1	5	6
	Industrial	3	6	5
	Healthcare	3	7	10
	Dow 30	1	8	7
US Mkt Avg	Russell 3000 Index		9	8
Below Average	LargeCap Growth	1	10	9
	Consumer Non-Cyclical	3	11	12
	Developed Int'l Markets	2	12	11
	SmallCap Value	1	13	13
	MidCap Value	1	14	15
	Real Estate	2&3	15	14
	Consumer Cyclical	3	16	17
	MidCap Blend	1	17	18
	Utilities	3	18	16
	Basic Materials	2&3	19	19
	SmallCap Blend	1	20	21
	MidCap Growth	1	21	20
	SmallCap Growth	1	22	22
	Emerging Markets	2	23	23
	Telecom	3	24	24
	CASH (1-3 mo T-Bills)		25	26
	Energy	3	26	25

Interesting Chart of The Week

It seems that the "baby boomer" generation (those born between 1946 and 1964) has fared far better financially than the subsequent generations throughout every stage of life.

When baby boomers hit a median age of 35 in 1990, they collectively owned 21% of the nation's wealth.

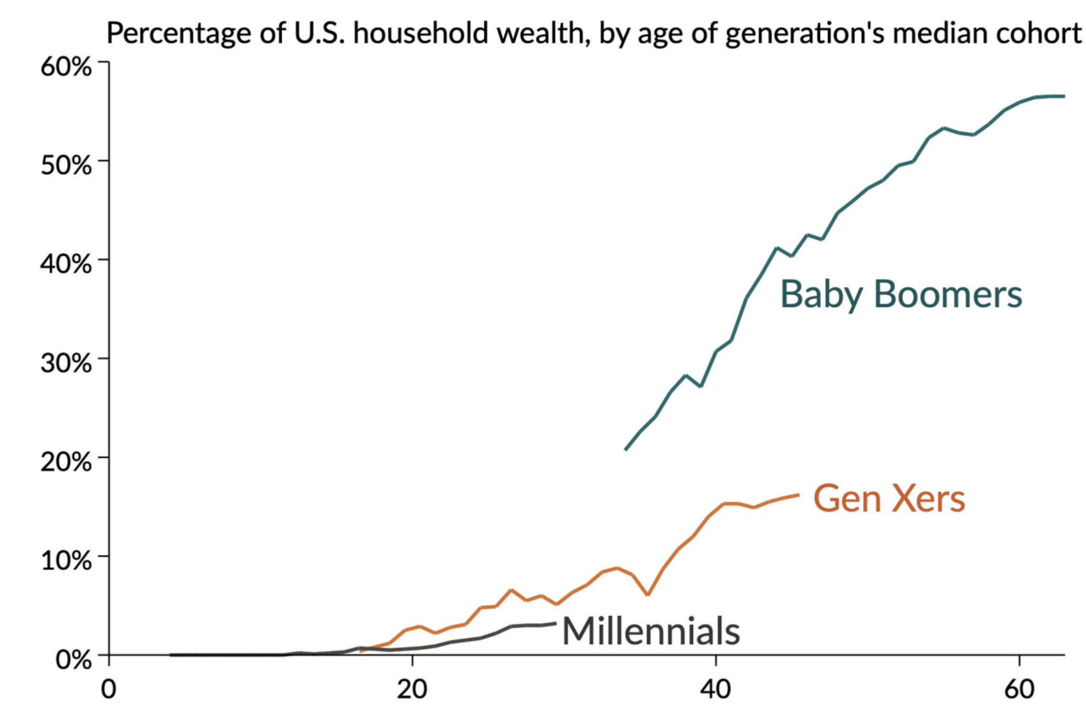
When Generation X (born between 1965 and 1980) hit that same milestone, they owned just 9% of the nation's wealth.

For Millennials (born between 1981 and 1996), it was even worse.

Currently boomers boast more than half (57%) of the nation's wealth, while Gen X owns just 16%, and millennials 3%.

On a positive note, boomers are expected to pass on their estates to their heirs in an upcoming period being called "the great wealth transfer".

That event may see millennials collecting around $59 trillion in wealth and assets! (Chart from economist Gray Kimbrough via Marketwatch.com)



By @graykimbrough. Source: 1990-2019 Q1 figures from Federal Reserve Distributional Financial Accounts, https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/index.html

(sources: all index return data from Yahoo Finance; Reuters, Barron's, Wall St Journal, Bloomberg.com, ft.com, guggenheimpartners.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, Financial Media Exchange, FactSet; W E Sherman & Co, LLC)

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