



## ***Trust Division***

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## **INVESTMENT COMMITTEE MARKET COMMENTS**

**January 2019**

<b>STOCK MARKET INDEX DATA</b>	<b>Current Index</b>	<b>MTD Return</b>	<b>YTD Return</b>	<b>2017 Return</b>
<b>as of Dec 31, 2018</b>				
Dow Jones Industrials Average	23,327.46	-11.83%	-5.63%	25.08%
S&P 500	2,506.85	-13.97%	-6.24%	19.42%
Nasdaq	6,635.28	-17.54%	-3.88%	28.24%

### **STOCK MARKET UPDATE**

All three major indexes saw a reversal in December of previous gains for the year as the S&P 500 ended the year down -6.24%, breaking a streak of nine consecutive "up" years. The Dow and Nasdaq followed suit with losses for the year of -5.63% and -3.88% respectively. The debate between Congress and the White House regarding the partial government shutdown and border security continues and has disrupted the market. Foreign trade issues with China have only exacerbated the situation.

<b>Bond Types</b>	<b>3 Mo</b>	<b>6 Mo</b>	<b>2 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>30 Year</b>
U.S. Treasury	2.46%	2.49%	2.60%	2.58%	2.74%	3.02%
Agency/GSE	2.59%	2.61%	2.83%	3.22%	3.99%	
Corporate (Aaa/AAA)	2.43%	1.49%	2.88%	3.08%	3.08%	4.22%
Corporate (Aa/AA)	2.47%	2.71%	3.29%	3.43%	3.78%	4.74%
Municipal (Aaa/AAA)	1.66%	1.80%	2.07%	2.43%	3.08%	3.70%
Municipal (Aa/AA)	1.92%	1.95%	2.25%	2.87%	3.45%	4.22%
Taxable Municipal	2.56%	3.09%	3.00%	3.80%	4.15%	4.97%

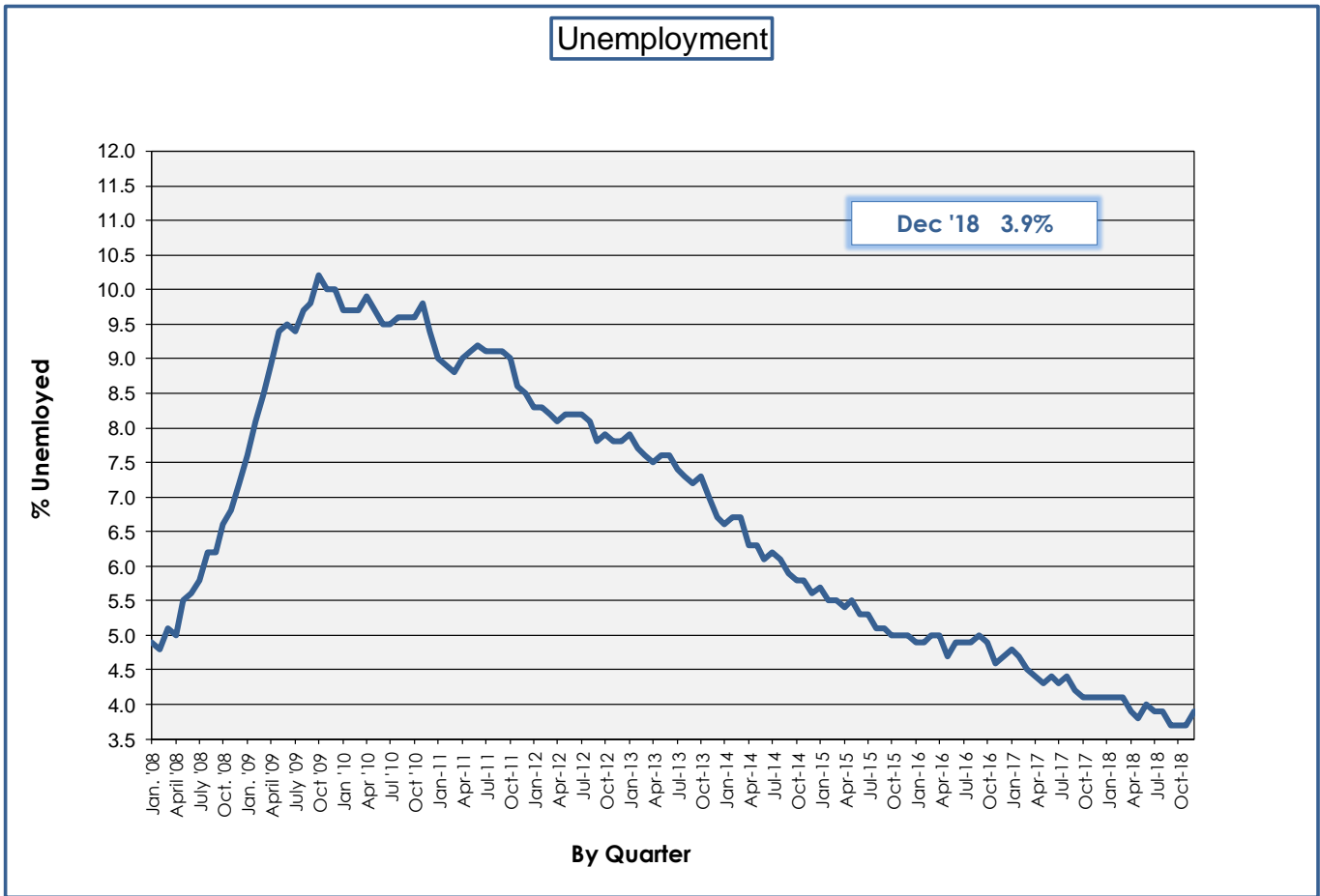
### **FIXED INCOME MARKET UPDATE**

The taxable bond market was up a miniscule +0.01% in 2018 (total return) but has gained +5.1% per year (total return) over the last 25 years (1994-2018). The Bloomberg Barclays US Aggregate Bond Index (created in 1986), calculated using publicly traded investment grade government bonds, corporate bonds and mortgage-related bonds with at least 1 year until final maturity, was used as the bond measurement. The index is a major benchmark for US bond investors (source: Bloomberg Barclays).

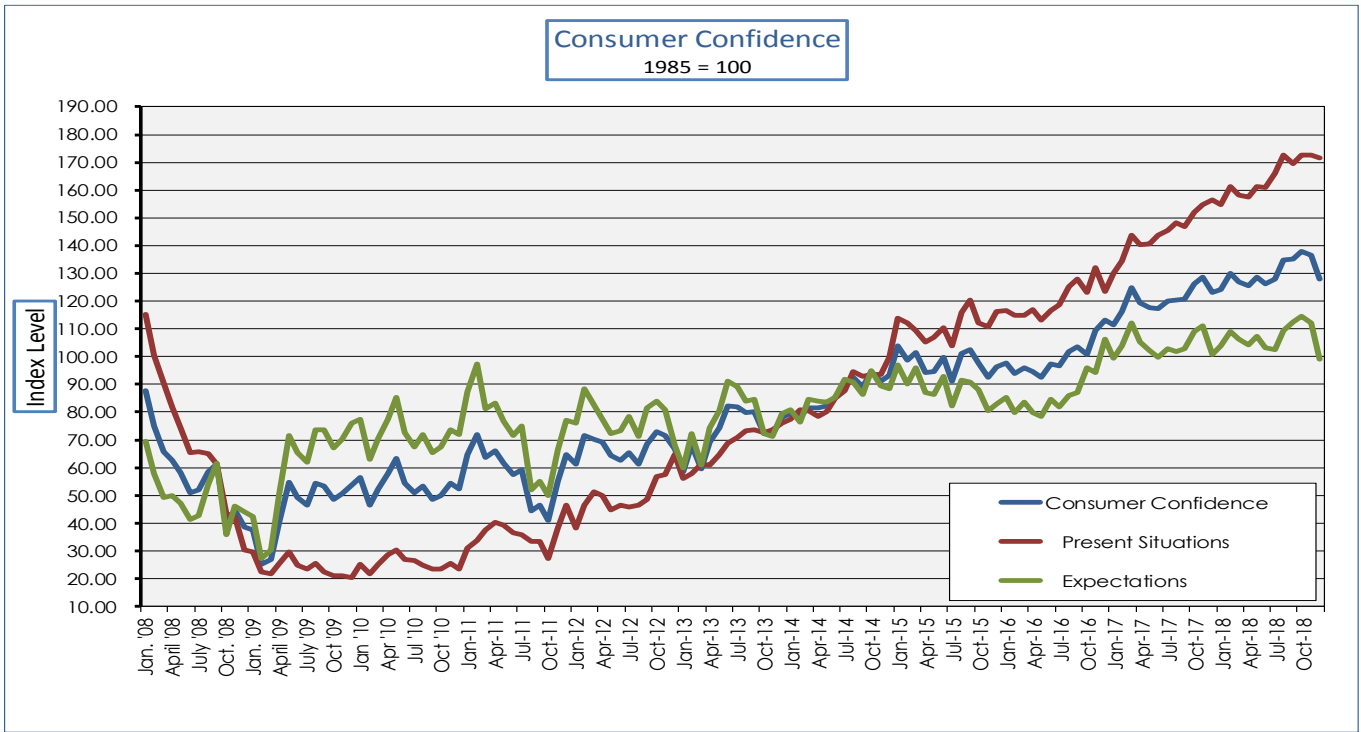
The yield on the 10-year Treasury note ended 2018 at 2.68%, up 0.27 percentage points from the 2.41% it finished at on 12/31/17.

**ECONOMIC UPDATE**

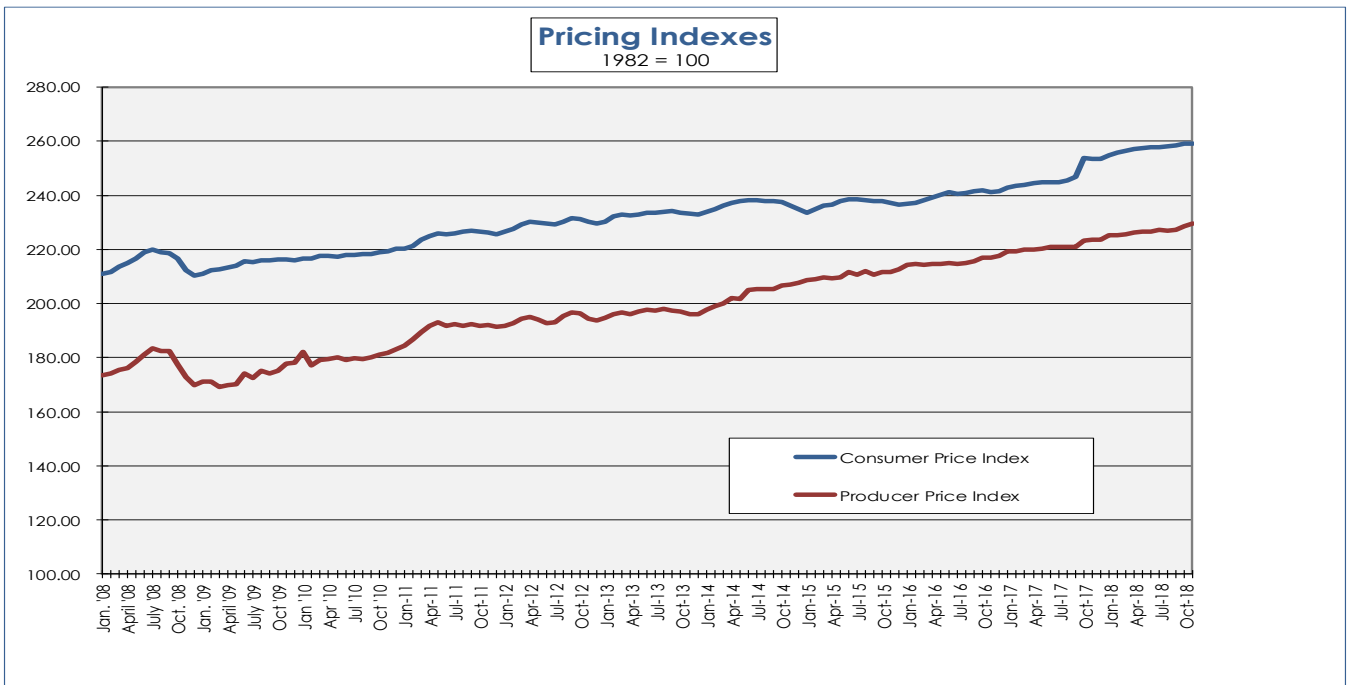
Softening economic data together with extreme volatility in the financial markets had been raising expectations for an easing in Federal Reserve rate hikes and also balance-sheet reduction. But that was before an unusually strong December employment report that, despite soothing comments from Jerome Powell and despite Friday's giant surge in stocks, has arguably turned back the outlook to where it was in September and October, that is a fast growing labor market consistent with increasing risks of overheating and inflation and with that, the continuing need for further rate hikes and balance-sheet unwinding. The dovish spin that ended the year and popped back on Friday is at risk of being replaced by the old hawkish one



**Jobless Claims** - In the week ending December 29, the advance figure for seasonally adjusted initial claims was 231,000, an increase of 10,000 from the previous week's revised level. The previous week's level was revised up by 5,000 from 216,000 to 221,000. The 4-week moving average was 218,750, a decrease of 500 from the previous week's revised average. The previous week's average was revised up by 1,250 from 218,000 to 219,250. Total nonfarm payroll employment increased by 312,000 in December, and the **unemployment rate** rose to 3.9 percent. Job gains occurred in health care, food services and drinking places, construction, manufacturing, and retail trade.



The **Conference Board Consumer Confidence Index**® decreased in December, following a modest decline in November. The Index now stands at 128.1 (1985=100), down from 136.4 in November. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – declined slightly, from 172.7 to 171.6. The Expectations Index – based on consumers' short-term outlook for income, business and labor market conditions – decreased from 112.3 last month to 99.1 this month.



In November, the **Consumer Price Index** for All Urban Consumers was unchanged on a seasonally adjusted basis; rising 2.2 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy rose 0.2 percent in November (SA); up 2.2 percent over the year (NSA). The **Producer Price Index** for final demand rose 0.1 percent in November, as prices for final demand services increased 0.3 percent, and the index for final demand goods decreased 0.4 percent. Prices for final demand advanced 2.5 percent for the 12 months ended in November.