Weekly Economic Review: December 30th – January 3rd, 2020

Top Headline: U.S. Airstrike Kills Iranian General

The biggest news in markets this past week was the U.S. airstrike which killed Iranian General Qasem Soleimani, widely considered the head of Iran's foreign clandestine operations. The move sparked fervor in markets as investors fled to safe haven assets amidst fears of escalating conflict. Oil prices spiked above $70 for the first time since drone strikes damaged two Saudi Aramco oil facilities in September, and gold hit its highest level since 2013. Since Soleimani's death, tensions on both sides continued to rise, and Iran has announced it will no longer comply with restrictions on uranium enrichment imposed by the 2015 nuclear accord.

Phase one of the trade deal between the U.S. and China continues to move forward, with China planning to send top negotiator Vice Premier Kiu He to Washington next week. The agreement is expected to be signed on January 15th, providing a temporary halt to the ongoing trade war and a potential roadmap for further deals. President Trump has indicated that talks may enter a second phase at some point in the future.

On Tap This Week

This upcoming week is highlighted by the continued fallout from the airstrike, as well as employment data for December.

Other News

Past Week's Releases

Date		Indicator	Period	Prev.	Exp.	Act.	Comment
T	12/31	Consumer Confidence	Dec	125.5	128.5	126.5	Confidence levels fell slightly, with the present situation component up and the expectations component down
Th	1/2	Initial Jobless Claims	12/28	224K r↑	220K	222K	Claims were down but the four-week average was at an almost one-year high
F	1/3	Construction Spending	Nov	-0.8%	0.4%	0.6%	Spending was up on the month, though nonresidential construction fell
F	1/3	ISM Manufacturing	Dec	48.1	49.0	47.2	New orders, production and employment components of the index were all down
F	1/3	FOMC Minutes	Dec	N/A	N/A	N/A	Minutes implied comfortability with the Fed's current response to the global economic situation

Actual < Expected Actual > Expected ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	28645	28635	-0.04%	7.76%
S&P 500	3240.0	3234.9	-0.16%	9.58%
USD*	96.92	96.84	-0.08%	-2.21%
10-Year Treasury⁺	1.88%	1.79%	-0.09%	0.26%

*ICE U.S. Dollar Index Spot Price
⁺Absolute change in yield over specified period

Upcoming Releases

Date		Indicator	Period	Prev.	Exp.
T	1/7	Trade Balance	Nov	$47.2B	$43.7B
T	1/7	ISM Non-Mfg Index	Dec	53.9	54.5
T	1/7	Durable Goods Orders	Nov	-2.0%	-2.0%
Th	1/9	Initial Jobless Claims	1/4	222K	220K
F	1/10	Nonfarm Payrolls	Dec	266K	160K
F	1/10	Unemployment Rate	Dec	3.5%	3.5%

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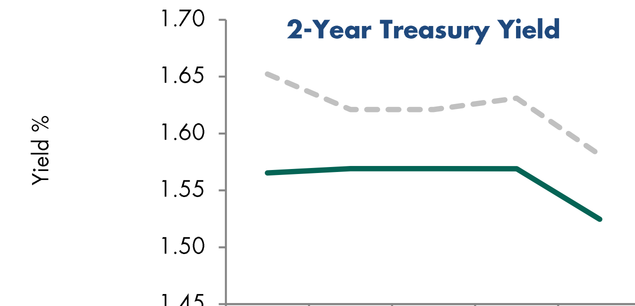
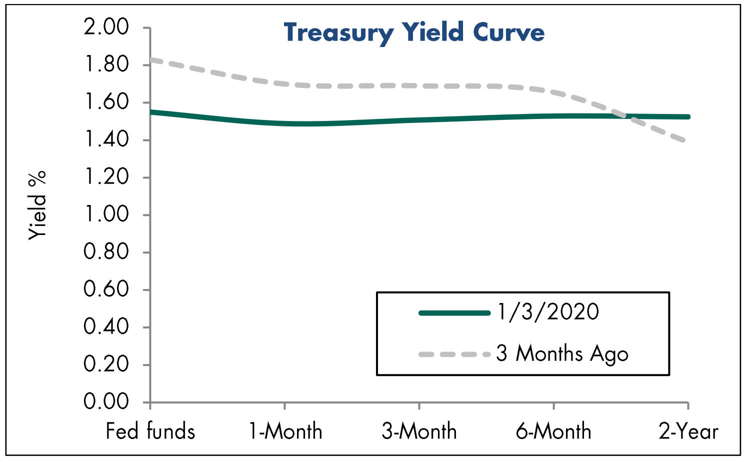
Yield Curve Highlights



	M	T	W	T	F
12/30-1/3	1.57	1.57	1.57	1.57	1.52
12/23-12/27	1.65	1.62	1.62	1.63	1.58



Detailed Economic Releases

12/30/2019	Prev.	Exp.	Act.
Consumer Confidence	125.5	128.5	126.5

The consumer confidence index fell from 128.5 to 126.5. The present situation component moved up from 166.6 to 170.0, while the expectations index fell from 100.3 to 97.4. Those saying jobs are "plentiful" improved from 44.0% to 47.0%, while those saying jobs are "hard to get" also increased from 12.4% to 13.1%. Consumers' outlook over the short-term was relatively weak, with those expecting business conditions to improve up from 18.6% to 18.9%, and those expecting conditions to decline slightly down from 11.4% to 9.3%.

Summary: The confidence index fell slightly on the month, with those saying jobs are plentiful and those saying they are hard to get both rising.

1/2/2020	Prev.	Exp.	Act.
Initial Jobless Claims	224K r↑	220K	222K

Claims were down from the previous week's upwardly revised reading from 224K to 222K. The four-week average was up by 4,750 to 233,250, bringing it to the highest level since January of last year. The previous week's four-week average was also higher by 500 to 228,500. Continuing claims were up 5,000 on the week at 1,728,000, with the previous week's reading also up by 4,000. The four-week moving average was up by 7,250 to 1,711,750, with the previous week's average also upwardly revised by 1,000.

Summary: Claims were down on the week, though the four-week average was at its highest in almost a year.

1/3/2020	Prev.	Exp.	Act.
Construction Spending	-0.8%	0.4%	0.6%

Construction spending was up by 0.6% compared to last month's upwardly revised reading, with spending of $1,324.1bn following October's $1,316.8bn. Private construction of $985.5bn was up by 0.4% on the month, with residential construction up by 1.9% from October at $526.3bn. Nonresidential construction was 1.2% below October spending at $449.4bn. Public construction of $338.6bn, meanwhile, was up 0.9% on the month, with educational construction flat, and highway construction up 2.2%.

Summary: Spending rose, with private and public construction both up on the month. Residential construction was up, while nonresidential spending fell.

1/3/2020	Prev.	Exp.	Act.
ISM Mfg Index	48.1	49.0	47.2

The manufacturing sector contracted in December, down by 0.9% from its 48.1 reading in November. The indicator marks the lowest reading since June 2009 when it stood at 46.3. The new orders index was down by 0.4% on the month at 46.8, the production index was down 5.9% on the month at 43.2, and the employment index was down 1.5% at 46.6. Meanwhile, the backlog orders index was up 0.3% to 43.3 and the supplier deliveries index was up 2.6% at 54.6, suggesting more bandwidth given the lack of new orders. Of the 18 industries surveyed for this report, only three reported growth.

Summary: The indicator was at its lowest in 10 years, with almost all components of the index reflecting weak manufacturing growth.

1/3/2020	Prev.	Exp.	Act.
FOMC Minutes	N/A	N/A	N/A

Minutes from the Federal Reserve officials mid-December meeting suggest that the group is comfortable keeping rates steady for the foreseeable future. However, officials do still see risks of weak growth given current global circumstances, including tensions between the U.S. and China and the U.S. and Iran.

Summary: Minutes implied that rates would likely not rise until there was a sustained upturn in inflation.

About Us

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