

## L'économie US par Rafic Vartan

Market update for the week ending September 8 2018



CRUDE OIL 67.86    GOLD 1.201.80    SILVER 14.78    EUR/USD 1.16

**Stocks drop this week -** Renewed trade and tariff talk weighed on stocks this week. A robust job and wage growth report did not cause a rally. With consumer spending accounting for nearly 70% of the economy one would think that higher wages, and consumer confidence at an 18 year high would be encouraging. On the other hand if consumer spending picks up that could cause inflation, which is very low, to pick up. Higher inflation would lead to higher interest rates and increase borrowing costs. The Dow Jones Industrial Average closed the week at 25,916.53, down from 25,964.82 last week. It is up 4.8% year to date. The S&P 500 closed the week at 2,861.78, down from 2,901.52 last week. It's up 7.4% year to date. The NASDAQ closed the week at 7,992.54, down from 8,109.64 last week. It's up 14.5% year to date.

**Wages grew at highest pace since 2009. 201,000 new jobs created in August -** The Labor Department reported that the U.S. economy added 201,000 new jobs in August. That number beat analysts' expectations and marked the 95th consecutive month of job growth. The unemployment rate held steady at 3.9%, a 50 year low. The highlight of the report was that wages grew 2.9% in August from one year ago. That was the highest wage growth since 2009. Wages have been rising at just 2.6% -2.7% for many years. Usually when unemployment is at historic low rates more competition for workers drives wages up. Experts have been baffled at how stubborn wage growth has been with such robust job gains. In January it appeared that wages were finally moving higher, but wages dropped back to rising just 2.6% - 2.7% year over year in the following months until August. In the coming months we will see if this is a trend to higher wages or just a unique one month reading like we saw in January.

**Treasury Bond Yields higher -** The 10 year treasury bond closed the week yielding 2.94%, up from

2.86% last week. The 30 year Treasury bond yield ended the week at 3.11%, up from 3.02% last week. We watch Treasury bond yields because mortgage rates follow bond yields.

**Mortgage rates** - The September 6, 2018 Freddie Mac Primary Mortgage Survey reported that the 30 year fixed mortgage rate average was 4.54%, almost unchanged from