THE WEEK IN REVIEW

U.S. equity markets ended an eventful week on a higher note driven primarily by positive trade news and unchanged monetary policy rates from the Federal Reserve and the European Central Bank. The S&P 500 climbed 1.1% for the week to extend the index’s year-to-date gains to 26.4%.

U.S. and Chinese officials announced a limited preliminary agreement to halt the trade war, with President Trump removing the threat of new tariffs and Beijing agreeing to new economic rules and increased purchases of American farm goods. Under “phase one” of the agreement, Trump said that a 25% tariff that the U.S. placed on $250 billion of Chinese products will remain in effect, but the 15% tariff put on $120 billion of products will be cut in half to 7.5%. Reports indicate that a round of tariffs scheduled for Sunday will be delayed and talks for a second phase of negotiations will begin immediately. China confirmed that the agreement includes a commitment to buy more American agriculture products, strengthen laws protecting foreign companies operating in China and enhance intellectual property rules.

Top officials from Canada, Mexico and the U.S. signed an overhauled trade pact that aims to improve enforcement of worker rights and hold down drug prices by eliminating a patent provision. The signing launched what may be the final approval effort for President Trump’s quest to revamp the North American Free Trade Agreement (NAFTA).

The Federal Reserve held interest rates steady in a target range of 1.50% - 1.75% following its two-day meeting this week and indicated no action is likely next year amid persistently low inflation. In its statement explaining the decision, the committee indicated monetary policy is likely to stay where it is for an unspecified time, though officials will continue to monitor conditions as they develop. The decision to keep rates unchanged was unanimous, following several dissents in recent meetings.

On the consumer side of the economy, U.S. retail sales grew in November at a weaker-than-expected 0.2% pace compared to economists’ consensus estimate of 0.5%. The lackluster report may be due to a late Thanksgiving that reduced the holiday-shopping season by six days compared to 2018 and pushed Cyber Monday into December. The sharpest decline came from discretionary spending, including clothes, electronics and sporting goods. Volatile gas prices drove underlying consumer prices (CPI) to 0.3% in November, and above consensus expectations of 0.2%. Inflation ticked up to 2.1% on a year-over-year basis from 1.8% the month before.

MainStreet Investment Advisors, LLC is an Investment Adviser registered with the SEC. Opinions herein are as of the publication date and are subject to change without notice. This report may include “forward-looking statements” which may or may not be accurate over the long term. The week is calculated beginning with Monday’s market open. Report includes candid statements and observations regarding investment strategies, asset allocation, individual securities, and economic and market conditions. Statements, opinions or forecasts are not guaranteed. Do not place undue reliance on forward-looking statements. Actual results could differ materially from those described. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client’s account should or would be handled, as appropriate investment strategies depend upon the client’s investment objectives. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy/sell any security or instrument or to participate in any trading strategy. Indexes and sector statistics are unmanaged and are a common measure of performance of their respective asset classes. Indexes are not available for direct investment. Past performance is not indicative of future results. The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur. Investing for short periods may make losses more likely. Not a deposit, not FDIC insured, may lose value, not bank guaranteed, not insured by any federal government agency.