



**AK Financial Group**  
 Andrew C. Karlinski, CFP®  
 Registered Representative, LPL Financial  
 6 Venture Ste 390  
 Irvine, CA 92618  
 949-788-7700  
 ak@akfinancialgroup.com  
 www.akfinancialgroup.com



# Market Week: March 6, 2017



## The Markets (as of market close March 3, 2017)

The Dow reached 21115 last Wednesday, then fell back a bit, but still closed the week over 21000. The S&P 500 marked its sixth consecutive week of gains, while the Global Dow led the way, climbing over 1.0% by last week's end. Of the benchmarks listed here, only the Russell 2000 fell, but only slightly. Following President Trump's speech to Congress last Tuesday evening, stocks soared Wednesday before retreating Thursday and Friday while bond yields soared, possibly in response to Fed Chair Janet Yellen's indication that interest rates are likely to be raised when the Committee next meets later this month.

The price of crude oil (WTI) dropped, closing at \$53.20 per barrel, down from the prior week's closing price of \$54.03 per barrel. The price of gold (COMEX) also fell, closing at \$1,235.00 by late Friday afternoon, down from the prior week's price of \$1,258.00. The national average retail regular gasoline price increased to \$2.313 per gallon on February 27, 2017, \$0.012 above the prior week's price and \$0.531 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 3/3	Weekly Change	YTD Change
<b>DJIA</b>	19762.60	20821.76	21005.71	0.88%	6.29%
<b>Nasdaq</b>	5383.12	5845.31	5870.75	0.44%	9.06%
<b>S&amp;P 500</b>	2238.83	2367.34	2383.12	0.67%	6.44%
<b>Russell 2000</b>	1357.13	1394.52	1394.13	-0.03%	2.73%
<b>Global Dow</b>	2528.21	2660.04	2688.67	1.08%	6.35%
<b>Fed. Funds target rate</b>	0.50%-0.75%	0.50%-0.75%	0.50%-0.75%	0 bps	0 bps
<b>10-year Treasuries</b>	2.44%	2.31%	2.48%	17 bps	4 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Headlines

- The second estimate of the fourth-quarter GDP saw little change from the first estimate. The GDP expanded at an annual rate of 1.9% — the same rate as first estimate. The third-quarter GDP increased at an annual rate of 3.5%, which was the strongest reading in two years. Consumer spending continued to increase as the personal consumption expenditures (PCE) price index increased 1.9% in the fourth quarter, compared with an increase of 1.5% in the third quarter. From the fourth quarter 2015 to the fourth quarter 2016, the PCE price index has expanded at a rate of 3.0%.
- Consumer income and spending continued to rise in January, according to the latest report from the Bureau of Economic Analysis. Personal income increased \$63.0 billion, or 0.4%, in January over December. The increase was fueled by a rise in wages and salaries, which increased by \$43.8 billion. After-tax income (disposable personal income) rose \$40.1 billion, or 0.3%, and personal consumption expenditures, a measure of what consumers are spending, increased \$22.2 billion, or 0.2%. Personal

## Key Dates/Data Releases

3/7: International trade

3/9: Import and export prices

3/10: Employment situation, Treasury budget

income increased 3.6% in 2016 (that is, from the 2015 annual level to the 2016 annual level). Disposable personal income climbed 3.9% over the same period, while personal consumption expenditures increased 3.8%. The personal consumption price index is up 1.9% in January 2017 compared to January 2016, as prices move closer to the Fed's 2.0% inflation target.

- New orders for manufactured durable goods in January increased \$4.0 billion, or 1.8%, to \$230.4 billion, the U.S. Census Bureau announced last week. This increase, up following two consecutive monthly decreases, followed an 0.8% December decrease. Transportation equipment, also up following two consecutive monthly decreases, drove the increase up \$4.3 billion, or 6.0%. Orders for core capital goods (excluding defense and aircraft) declined 0.4% in January from December. Shipments of durable goods fell for the first time in three months, dropping 0.1% following a 1.6% increase in December. Unfilled orders, down seven of the last eight months, decreased again in January, falling \$4.0 billion, or 0.4%.
- Purchasing managers remained upbeat about the strength of the manufacturing sector. The Institute for Supply Management's® Purchasing Managers Index registered 57.7% in February, 1.7 percentage points higher than January's reading. Markit's Manufacturing Purchasing Managers' Index™ (PMI™) fell slightly in February from January's 22-month high. February's PMI of 54.2 was 0.8 percentage point below January, but still indicative of strength in the manufacturing sector.
- The non-manufacturing, or service, index issued by the Institute for Supply Management® increased by 1.1 percentage points in February over January. This is the highest reading since October 2015 and represents continued growth in the non-manufacturing sector at a slightly faster rate.
- The international trade deficit expanded in January from a month earlier, according to the advance report from the Census Bureau. The trade deficit increased \$4.9 billion to \$69.2 billion in January. Exports of goods fell \$0.4 billion to \$126.2 billion, while goods imports increased by \$4.4 billion to \$195.4 billion. The increase in imports was influenced by an increase in imports of vehicles and consumer goods.
- The Conference Board Consumer Confidence Index® rose to 114.8 in February, up from January's 111.6. According to Lynn Franco, Director of Economic Indicators at The Conference Board, "Consumers rated current business and labor market conditions more favorably this month than in January. Expectations improved regarding the short-term outlook for business, and to a lesser degree jobs and income prospects. Overall, consumers expect the economy to continue expanding in the months ahead."
- In the week ended February 25, the advance figure for seasonally adjusted initial unemployment insurance claims was 223,000, a decrease of 19,000 from the previous week's revised level. This is the lowest level for initial claims since March 31, 1973, when it was 222,000. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended February 18 was 2,066,000, an increase of 3,000 from the previous week's revised level.

## Eye on the Week Ahead

The latest employment information will be available at the end of the week. Investors will pay close attention to this report, as the labor sector has been positive for quite some time and continued strength will surely influence the FOMC's decision whether to increase interest rates when it meets later in the month.

*Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.*

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Andrew C. Karlinski, CFP®  
Registered Representative, LPL Financial  
AK Financial Group  
6 Venture, Suite 390  
Irvine, CA 92618  
phone: 949-788-7700  
fax: 949-788-7710  
[www.akfinancialgroup.com](http://www.akfinancialgroup.com)

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