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Market Week: January 30, 2017



The Markets (as of market close January 27, 2017)

The Dow reached 20000 for the first time ever midweek, and each of the indexes listed here posted gains of at least 1.0% over the prior week. Both the S&P 500 and Nasdaq reached record highs as favorable earnings reports coupled with anticipated pro-business policies apparently spurred trading, although a relatively weak GDP report at week's end may have led to some pullback. Long-term bond prices remained stable as the yield on 10-year Treasuries climbed 2 basis points to 2.48%.

The price of crude oil (WTI) increased last week, closing at \$53.12 per barrel, up from the prior week's closing price of \$52.33 per barrel. The price of gold (COMEX) fell, closing at \$1,193.50 by late Friday afternoon, down from the prior week's price of \$1,207.40. The national average retail regular gasoline price decreased to \$2.326 per gallon on January 23, 2017, \$0.032 less than the prior week's price but \$0.470 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 1/27	Weekly Change	YTD Change
DJIA	19762.60	19827.25	20093.78	1.34%	1.68%
Nasdaq	5383.12	5555.33	5660.78	1.90%	5.16%
S&P 500	2238.83	2271.31	2294.69	1.03%	2.50%
Russell 2000	1357.13	1351.85	1370.70	1.39%	1.00%
Global Dow	2528.21	2588.99	2620.18	1.20%	3.64%
Fed. Funds target rate	0.50%-0.75%	0.50%-0.75%	0.50%-0.75%	0 bps	0 bps
10-year Treasuries	2.44%	2.46%	2.48%	2 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 economy, as measured by the gross domestic product, slowed in the fourth quarter, expanding at a tepid 1.9% annual rate. This rate falls short of the third-quarter annual growth rate of 3.5%, which had been the strongest in two years. A positive in the report is the growth in personal consumption expenditures and private inventory investment. However, they were offset by a downturn in exports and an acceleration in imports, leading to a widening trade deficit. Overall, while economic growth has been consistent at around 2.0% since the recession of 2008, the average rate of expansion is the weakest since 1949.
- Orders for manufactured durable goods fell during the latter part of 2016. New orders for manufactured durable goods in December decreased \$1.0 billion, or 0.4%, to \$227.0 billion following a 4.8% drop in November. However, excluding transportation equipment and defense, both of which drove the decrease, new orders actually jumped 1.7%. Shipments of manufactured durable goods in December, up three of the last four months, increased \$3.3 billion, or 1.4%, to \$238.0 billion. New orders for

Key Dates/Data Releases

1/30: Personal income and outlays

1/31: Consumer confidence

2/1: PMI Manufacturing Index, ISM Manufacturing Index, FOMC meeting

2/3: Employment situation, ISM Non-Manufacturing Index

nondefense capital goods in December increased \$2.4 billion, or 3.8%, to \$66.6 billion. New orders for defense capital goods decreased \$4.8 billion, or 33.4%, to \$9.5 billion. For the year, orders for durable goods fell 0.3% in 2016 compared to the prior year.

- Lack of inventory and rising mortgage interest rates cooled existing home sales in December. Sales of existing homes fell 2.8% for the month to a seasonally adjusted annual rate of 5.49 million, down from a revised 5.65 million in November. With last month's slide, sales are only 0.7% higher than a year ago. Nevertheless, existing home sales finished 2016 at 5.45 million sales — the highest total since 2006. Total housing inventory for existing homes dropped 10.8% to 1.65 million in December, which is the lowest level since 1999. The median existing home price for December was \$232,200, a drop from November's median price of \$234,900. Nevertheless, last month's median price for existing homes sold is a 4.0% increase over December 2015, marking the 58th consecutive month of year-over-year gains.
- Not only did existing home sales fall in December, but sales of new single-family homes also slid last month. At an annual rate of 536,000, sales were 10.4% below the revised November rate of 598,000 and 0.4% below the December 2015 estimate of 538,000. The median sales price of new houses sold in December was \$322,500; the average sales price was \$384,000. The seasonally adjusted estimate of new houses for sale at the end of December was 259,000. This represents a supply of 5.8 months at the current sales rate.
- The trade deficit for goods (not including services) narrowed slightly in December, according to the Census Bureau's advance report. The international trade in goods deficit was \$65.0 billion in December, down \$0.3 billion from \$65.3 billion in November. Exports of goods for December were \$125.5 billion, \$3.7 billion more than November exports. Imports of goods for December were \$190.5 billion, \$3.4 billion more than November imports.
- Consumers are more confident in the economic future, according to the University of Michigan's Surveys of Consumers. The Index of Consumer Sentiment increased from 98.2 to 98.5 in January, while the Index of Consumer Expectations jumped from 89.5 in December to 90.3 in January. The only negative is in Current Economic Conditions, which fell 0.6 percentage point to 111.3.
- In the week ended January 21, the advance figure for seasonally adjusted initial unemployment insurance claims was 259,000, an increase of 22,000 from the previous week's revised level. The previous week's level was revised upward by 3,000 from 234,000 to 237,000. The four-week moving average was 245,500, a decrease of 2,000 from the previous week's revised average. This is the lowest level for this average since November 3, 1973, when it was 244,000. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended January 14 was 2,100,000, an increase of 41,000 from the prior week's revised level.

Eye on the Week Ahead

This week is highlighted by the latest report on the employment situation for January. While the unemployment rate has remained low, wage and salary increases have moved at a slow rate.

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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