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Market Week: January 9, 2017

The Markets (as of market close January 6, 2017)

The markets regained their swag as each of the indexes listed here posted week-over-week gains at the close of the first week of the new year. The Dow gained a little over 1.0% for the week, inching closer to 20000 for the first time ever. Nasdaq posted the largest gain of the week, followed by the Global Dow. The dollar strengthened, cutting into exports, while the yield on 10-year Treasuries stayed the course.

The price of crude oil (WTI) fell slightly last week, closing at \$53.70 per barrel, down from the prior week's closing price of \$53.83 per barrel. The price of gold (COMEX) increased, closing at \$1,172.60 by late Friday afternoon, up from the prior week's price of \$1,152.40. The national average retail regular gasoline price increased for the fifth week in a row to \$2.377 per gallon on January 2, 2017, \$0.068 more than last week's price and \$0.349 higher than a year ago.

Market/Index	2016 Close	Prior Week	As of 1/6	Weekly Change	YTD Change
DJIA	19762.60	19762.60	19963.80	1.02%	1.02%
Nasdaq	5383.12	5383.12	5521.06	2.56%	2.56%
S&P 500	2238.83	2238.83	2276.98	1.70%	1.70%
Russell 2000	1357.13	1357.13	1367.28	0.75%	0.75%
Global Dow	2528.21	2528.21	2577.90	1.97%	1.97%
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%	2.44%	2.42%	-2 bps	-2 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

- Job growth slowed in December but wages increased, according to the latest report from the Bureau of Labor Statistics. December saw 156,000 new jobs created while the unemployment rate edged up 0.1 percentage point to 4.7%. Job growth occurred in health care and social assistance. Job growth totaled 2.2 million in 2016, less than the increase of 2.7 million in 2015. The average workweek for all employees on private nonfarm payrolls was unchanged at 34.3 hours in December. Average hourly earnings for all employees on private nonfarm payrolls increased by \$0.10 to \$26.00 in December, after edging down by \$0.02 in November. Over the year, average hourly earnings have risen by 2.9%. The gain in wages may be pointing toward inflationary risks cautioned by the Fed, supporting further interest rate hikes this year.
- The trade deficit expanded in November, as exports fell 0.2% while imports increased 1.1%, primarily attributable to a sharp increase in oil imports. The goods and services deficit was \$45.2 billion in November, up \$2.9 billion from the revised \$42.4 billion in October. November exports were \$185.8 billion, \$0.4 billion less than October exports. November imports were \$231.1 billion, \$2.4 billion more



Key Dates/Data Releases

1/10: JOLTS

1/12: Import and export prices, Treasury budget

1/13: Producer Price Index, retail sales, consumer sentiment

than October imports. Year-to-date, the goods and services deficit decreased \$4.9 billion, or 1.1%, from the same period in 2015. Exports decreased \$56.6 billion, or 2.7%. Imports decreased \$61.4 billion, or 2.4%.

- Purchasing managers reported that December was a good month in the manufacturing sector as the purchasing managers' indexes from Markit Economics and the Institute for Supply Management each reported increases over their respective November readings. The Markit U.S. Manufacturing Purchasing Managers' Index™ registered 54.3 in December, up slightly from 54.1 in November, to signal the strongest improvement in business conditions in just under two years. The ISM PMI® for December registered 54.7%, an increase of 1.5 percentage points from the November reading of 53.2%.
- The non-manufacturing (service) sector remained strong in December according to the Institute for Supply Management® Non-Manufacturing Index, which registered 57.2%, the same as November and the highest reading for 2016. Within the ISM's latest Report On Business, the New Orders Index registered 61.6%, 4.6 percentage points higher than the reading of 57% in November. The Non-Manufacturing Business Activity Index decreased to 61.4%, 0.3 percentage point lower than the November reading of 61.7%. The only real negative in the report is the Employment Index, which decreased 4.4 percentage points in December to 53.8% from the November reading of 58.2%. Nevertheless, any reading over 50% indicates growth in the respective sector.
- Last month the Fed unanimously agreed to raise the benchmark federal-funds rate by a quarter percentage point, based on the assumptions that the labor market would continue to strengthen, economic activity would expand at a moderate pace, and inflation would continue to edge toward the Committee's target rate of 2.0%. However, the minutes of the December meeting also reflect the uncertainty some members of the Committee relative to the impact the new president and Congress may have on the economy. Committee members generally expect some financial stimulus such as infrastructure spending, tax cuts, and improved trade deals from the new administration.
- In the week ended December 31, the advance figure for seasonally adjusted initial unemployment insurance claims was 235,000, a decrease of 28,000 from the previous week's revised level of 263,000. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended December 24 was 2,112,000, an increase of 16,000 from the previous week's revised level.

Eye on the Week Ahead

The markets should be busy in the first full week of the new year. This week economic reports for December 2016 include the Producer Price Index and retail sales, which highlight year-end inflationary trends.

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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