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Market Week: January 23, 2017



The Markets (as of market close January 20, 2017)

For most of last week, the market was fairly lackluster. By the close of the market last Thursday, the Dow had fallen to 19,732. However, equities rallied on Inauguration Day, recouping most of the value lost earlier in the week. Nevertheless, the Nasdaq and the large-cap Dow and S&P 500 each ended the week in the red compared to the prior week, while the Russell 2000, which had made substantial gains through the end of 2016, dropped almost 1.50% by week's end and is below its 2016 year-end value. The dollar fell following President Trump's remarks that the dollar was too strong. Long-term government bond yields climbed as prices on 10-year Treasuries dropped.

The price of crude oil (WTI) fell again last week, closing at \$52.33 per barrel, down from the prior week's closing price of \$52.52 per barrel. The price of gold (COMEX) increased, closing at \$1,207.40 by late Friday afternoon, up from the prior week's price of \$1,197.30. The national average retail regular gasoline price decreased to \$2.358 per gallon on January 16, 2017, \$0.030 less than the prior week's price but \$0.444 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 1/20	Weekly Change	YTD Change
DJIA	19762.60	19885.73	19827.25	-0.29%	0.33%
Nasdaq	5383.12	5574.12	5555.33	-0.34%	3.20%
S&P 500	2238.83	2274.64	2271.31	-0.15%	1.45%
Russell 2000	1357.13	1372.05	1351.85	-1.47%	-0.39%
Global Dow	2528.21	2598.07	2588.99	-0.35%	2.40%
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%	2.39%	2.46%	7 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

- Consumer prices are reaching the 2.0% annual inflation rate targeted by the Federal Reserve. In December, the Consumer Price Index increased 0.3% for the month and 2.1% since December 2015 — the largest 12-month gain since the period ended June 2014. The index less food and energy climbed 0.2% in December, the same increase as in November. The index less food and energy rose 2.2% for the 12 months ended December. Over the past 12 months, energy prices have risen 5.4%, led by increases in gasoline (9.1%) and fuel oil (12.7%).
- New residential construction was a mixed bag for December. On the positive side, the rate of privately owned housing starts increased 11.3% over November and is 5.7% above the December 2015 rate. On the other hand, both building permits for new residential construction (0.2%) and housing completions (7.9%) decreased from the prior month. However, compared to December 2015, both building permits

Key Dates/Data Releases

1/24: Existing home sales

1/26: International trade in goods, new home sales

1/27: Durable goods orders, GDP, consumer sentiment

(0.7%) and housing completions (8.7%) are ahead of last year's rate.

- The Federal Reserve's monthly index of industrial production covers manufacturing, mining, and electric and gas utilities. Industrial production rose 0.8% in December after falling 0.7% in November. For the fourth quarter as a whole, the index slipped 0.6% at an annual rate. In December, manufacturing output moved up 0.2% and mining output was unchanged. The index for utilities jumped 6.6% — the largest gain since December 1989 — largely because of a return to more normal temperatures following unseasonably warm weather in November. Total industrial production in December was 0.5% above its year-earlier level. Capacity utilization for the industrial sector increased 0.6 percentage point in December to 75.5%, a rate that is 4.5 percentage points below its long-run (1972-2015) average.
- In the week ended January 14, the advance figure for seasonally adjusted initial unemployment insurance claims was 234,000, a decrease of 15,000 from the previous week's revised level. The four-week moving average was 246,750, a decrease of 10,250 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 7 was 2,046,000, a decrease of 47,000 from the previous week's revised level.

Eye on the Week Ahead

Several important economic reports are out this week, including the latest figures on existing and new home sales for December. The housing market has been a positive sector for much of 2016. Also on tap is the Census Bureau's advance report on international trade for December. The strength of the dollar has impacted the demand for foreign goods (imports) while reducing sales to foreign markets (exports). The week ends with the second estimate of the fourth-quarter GDP. The first estimate in December showed the fourth-quarter GDP increase by 3.5% over the third quarter.

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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