



**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: February 6, 2017



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

Stocks fell early last week, with the Dow dropping below 20000, while yields on long-term Treasuries receded as prices climbed with increased demand. However, news that the Fed was not raising interest rates this month, coupled with a favorable jobs report and the potential for regulatory reductions from the White House, seemed to rally equities by week's end. Only the Dow and Global Dow could not quite reach their prior week's closing values, as each of the other indexes listed here posted gains. The Nasdaq is up over 5.0% year-to-date compared to -12.8% over the same period in 2016.

The price of crude oil (WTI) increased last week, closing at \$53.86 per barrel, up from the prior week's closing price of \$53.12 per barrel. The price of gold (COMEX) increased, closing at \$1,221.90 by late Friday afternoon, up from the prior week's price of \$1,193.50. The national average retail regular gasoline price decreased to \$2.296 per gallon on January 30, 2017, \$0.030 less than the prior week's price but \$0.474 more than a year ago.

| Market/Index                  | 2016 Close  | Prior Week  | As of 2/3   | Weekly Change | YTD Change |
|-------------------------------|-------------|-------------|-------------|---------------|------------|
| <b>DJIA</b>                   | 19762.60    | 20093.78    | 20071.46    | -0.11%        | 1.56%      |
| <b>Nasdaq</b>                 | 5383.12     | 5660.78     | 5666.77     | 0.11%         | 5.27%      |
| <b>S&amp;P 500</b>            | 2238.83     | 2294.69     | 2297.42     | 0.12%         | 2.62%      |
| <b>Russell 2000</b>           | 1357.13     | 1370.70     | 1377.84     | 0.52%         | 1.53%      |
| <b>Global Dow</b>             | 2528.21     | 2620.18     | 2613.50     | -0.25%        | 3.37%      |
| <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%       | 2.48%       | 2.46%       | -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

- Payroll growth surged in January. There were 227,000 new jobs added in the month, far exceeding the 157,000 jobs created in December. January's total is the best since last September and is greater than the 2016 monthly average of 187,000. New jobs in retail trade (46,000), construction (36,000), and financial activities (32,000) led the way. The unemployment rate ticked up 0.1 percentage point to 4.8%, while the labor participation rate also increased 0.2 percentage point to 62.9%. The number of unemployed persons also inched up from 7.5 million to 7.6 million. In January, the number of long-term unemployed (those jobless for 27 weeks or more) was essentially unchanged at 1.9 million and accounted for 24.4% of the unemployed. Since January, the number of long-term unemployed has declined by 244,000. The average workweek for all employees on private nonfarm payrolls was unchanged at 34.4 hours in January. The average hourly earnings for all employees on private nonfarm payrolls rose by \$0.03 to \$26.00, following a \$0.06 increase in December. Over the year, average hourly

## Key Dates/Data Releases

2/7: International trade, JOLTS

2/10: Treasury budget, import and export prices, consumer sentiment

earnings have risen by a modest 2.5%.

- Consumer inflation climbed in December, according to the latest report from the Bureau of Economic Analysis. Personal (pre-tax) income and disposable personal (after-tax) income each rose 0.3% in December. Personal income increased 3.5% in 2016, compared with an increase of 4.4% in 2015. Disposable personal income increased 3.8% in 2016, the same increase as in 2015. Consumer spending also increased as personal consumption expenditures (PCE), the preferred inflationary gauge of the Fed, climbed 0.5%. In 2016, PCE increased 3.8%, compared with a gain of 3.5% in 2015. The PCE price index, which measures changes in the prices of consumer goods and services, increased 0.2% for the month and 1.6% for the year — the highest annual increase since 2014. Advancing fuel prices helped push the gain in consumer prices. Excluding food and energy, prices increased 0.1% for the month and 1.7% for the year.
- The Federal Open Market Committee decided to maintain the target range for the federal funds rate at 0.50%-0.75%. Since its last meeting in December, the Committee noted that the labor market has continued to strengthen and that economic activity has continued to expand at a moderate pace. Household spending has continued to rise moderately while business fixed investment has remained soft. Inflation increased in recent quarters but is still below the Committee's 2.0% longer-run objective. The Committee next meets March 14-15 when, once again, a rate increase will be on the table for consideration.
- Purchasing managers were optimistic about the start of 2017 in the manufacturing sector. According to IHS Markit, the final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) recorded 55 in January, up from 54.3 in December. Incoming new work orders and output growth each expanded at their highest rate in over two years. The Institute for Supply Management's January PMI® registered 56% — an increase of 1.5 percentage points from the December reading. New orders, production, and employment each registered monthly gains.
- Economic activity remained steady in the non-manufacturing (services, food, mining, etc.) sector in January. The Institute for Supply Management® Non-Manufacturing Index registered 56.5% — 0.1 percentage point lower than December's reading. Non-manufacturing business activity decreased 0.6 percentage point to 60.3% and new orders dropped 2.1 percentage points to 58.6%. On the plus side, the Employment Index increased 2.0 percentage points, while the Prices Index rose 2.9 percentage points.
- The Conference Board Consumer Confidence Index®, which reached a 15-year high in December, retreated in January. The index now stands at 111.8, down from 113.3 in December. The Present Situation Index increased from 123.5 to 129.7, but the Expectations Index decreased from December's 106.4 to 99.8 for January. According to Lynn Franco, Director of Economic Indicators at The Conference Board, "The decline in confidence was driven solely by a less optimistic outlook for business conditions, jobs, and especially consumers' income prospects."
- In the week ended January 28, the advance figure for seasonally adjusted initial unemployment insurance claims was 246,000, a decrease of 14,000 from the previous week's revised level. The previous week's level was revised upward by 1,000 from 259,000 to 260,000. The four-week moving average was 248,000, an increase of 2,250 from the previous week's revised average. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended January 21 was 2,064,000, a decrease of 39,000 from the prior week's revised level. The highest insured unemployment rates in the week ended January 14 were in Alaska (4.6), Montana (3.3), Connecticut (3.0), New Jersey (3.0), Pennsylvania (2.9), Illinois (2.8), Rhode Island (2.7), West Virginia (2.7), Massachusetts (2.6), Puerto Rico (2.6), and Wyoming (2.6). The largest increases in initial claims for the week ended January 21 were in California (+955) and Virginia (+529), while the largest decreases were in Pennsylvania (-9,362), New York (-6,802), Georgia (-5,690), Illinois (-4,920), and New Jersey (-3,799).

## Eye on the Week Ahead

Economic reports this week focus on international trade. The Census Bureau's report on the December trade deficit is important in that it is the first such report following President Trump's election. The last report showed that the deficit increased about \$3 billion to \$45.2 billion in November. Also, the preliminary report on import and export prices is released later in the week. For 2016, import prices grew at a rate of 1.8%, while export prices increased at 1.1% — indicative of the strength of the dollar.

*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.

---

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)

Securities offered through LPL Financial. Member FINRA/SIPC. Investment advice offered through AK Financial Group, a registered investment advisor and separate entity from LPL Financial.

The information contained in this email message is being transmitted to and is intended for the use of only the individual(s) to whom it is addressed. If the reader of this message is not the intended recipient, you are hereby advised that any dissemination, distribution or copying of the message is strictly prohibited. If you have received this message in error, please immediately delete.