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# Market Week: February 13, 2017

## The Markets (as of market close February 10, 2017)

The stock indexes listed here posted a strong week of gains as the Dow, S&P 500, and Nasdaq each achieved record highs. Long-term bond prices also rose last week, with the yield on 10-year Treasuries falling 6 basis points. Favorable fourth-quarter corporate earnings reports, coupled with President Trump's proposal to lower taxes for businesses, helped drive equities.

The price of crude oil (WTI) remained about the same compared to the prior week, closing at \$53.85 per barrel, down slightly from the prior week's closing price of \$53.86 per barrel. The price of gold (COMEX) increased, closing at \$1,234.70 by late Friday afternoon, up from the prior week's price of \$1,221.90. The national average retail regular gasoline price decreased for the fourth week in a row to \$2.293 per gallon on February 6, 2017, \$0.003 less than the prior week's price but \$0.534 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 2/10	Weekly Change	YTD Change
<b>DJIA</b>	19762.60	20071.46	20269.37	0.99%	2.56%
<b>Nasdaq</b>	5383.12	5666.77	5734.13	1.19%	6.52%
<b>S&amp;P 500</b>	2238.83	2297.42	2316.10	0.81%	3.45%
<b>Russell 2000</b>	1357.13	1377.84	1388.84	0.80%	2.34%
<b>Global Dow</b>	2528.21	2613.50	2624.13	0.41%	3.79%
<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%	2.46%	2.40%	-6 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 final report on the goods and services trade deficit for December 2016 has the deficit at \$44.2 billion, down \$1.5 billion from \$45.7 billion in November. Exports climbed \$5.0 billion in December over the prior month, while imports increased \$3.6 billion. For 2016, the goods and services deficit was \$502.3 billion, up \$1.9 billion, or 0.4%, from the \$500.4 billion deficit in 2015. In 2016, exports decreased \$51.7 billion, or 2.3%, while imports decreased \$49.9 billion, or 1.8%. It's important to note that a narrowing trade gap doesn't necessarily equate with economic strength. A decrease in consumer purchases of goods and services may not only weaken imports, but it may cause the GDP to contract as well. According to [The Wall Street Journal](#), during periods of economic growth, such as in the 1990s and early 2000s, the trade deficit expanded. However, the deficit narrowed during periods of economic recession, such as in 2007-2009.
- The federal budget ran a surplus of \$51.27 billion in January compared to a deficit of \$27.34 billion the previous month. Government receipts in January were \$344.07 billion, while expenditures were \$292.81 billion. Four months into the government's fiscal year, the deficit sits at \$156.94 billion compared to

## Key Dates/Data Releases

2/15: Consumer Price Index, retail sales, industrial production

2/16: Housing starts

\$160.48 billion over the same period last fiscal year.

- The Job Openings and Labor Turnover Survey (JOLTS) for December revealed that the number of job openings was little changed at 5.5 million on the last business day of December, according to the U.S. Bureau of Labor Statistics. Over the month, hires and separations were also little changed at 5.3 million and 5.0 million, respectively. The gap of roughly 250,000 between job openings and hires is the narrowest of 2016. Over the 12 months ended in December, hires totaled 62.5 million and separations totaled 60.1 million, yielding a net employment gain of 2.4 million. The quits rate was 2.0% in December, down slightly from the 2.1% rate the prior month. A higher quits rate may be indicative of employees' confidence that they can leave a job and get another one.
- Import prices advanced 0.4% in January following a 0.5% increase in December. A rise in fuel prices (5.8%) more than offset declining nonfuel prices (-0.2%). Import prices have risen 3.7% over the past year. The advance between January 2016 and January 2017 is the largest 12-month rise since the index increased 5.1% in February 2012. The prices for exports gained 0.1% in January, after advancing 0.4% the previous month. Rising prices for nonagricultural exports (0.1%) more than offset falling agricultural prices (-0.2%) in each of the two months. With the exception of an 0.8% drop in August 2016, export prices have trended upward since April 2016 and rose 2.3% for the year ended in January 2017.
- Consumer expectations for the economy fell in February, according to the Surveys of Consumers from the University of Michigan. Falling expectations helped pull the Index of Consumer Sentiment down from 98.5% in January to 95.7% this month.
- In the week ended February 4, the advance figure for seasonally adjusted initial unemployment insurance claims was 234,000, a decrease of 12,000 from the previous week's unrevised level. The four-week moving average was 244,250, a decrease of 3,750 from the previous week's unrevised average of 248,000. 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 28 was 2,078,000, an increase of 15,000 from the prior week's revised level. The largest increases in initial claims for the week ended January 28 were in Ohio (+3,659), Indiana (+755), Florida (+741), Oregon (+700), and Wisconsin (+616), while the largest decreases were in California (-8,089), Washington (-564), Pennsylvania (-350), Puerto Rico (-325), and Virginia (-304).

## Eye on the Week Ahead

A couple of economic indicators of inflation are available this week when the latest reports on the Consumer Price Index and retail sales come out. Also, it will be interesting to see if the optimism expressed by purchasing managers relative to the manufacturing sector is warranted when the Fed's latest report on industrial production for January becomes available this week.

*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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