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Market Week: February 20, 2017

The Markets (as of market close February 17, 2017)

Equities closed last week in positive territory, as several of the indexes listed here posted record gains. Some positive economic news, particularly from FOMC Chair Janet Yellen, and favorable corporate earnings reports may have enticed investors to stay in the market. The Dow, S&P 500, and Nasdaq, each gained over 1.50% on the week, while the Global Dow increased over 1.0% lifting its year-to-date increase in value to over 5.0%.

The price of crude oil (WTI) fell, closing at \$53.37 per barrel, down slightly from the prior week's closing price of \$53.85 per barrel. The price of gold (COMEX) increased, closing at \$1,236.0 by late Friday afternoon, up from the prior week's price of \$1,234.70. The national average retail regular gasoline price increased to \$2.307 per gallon on February 13, 2017, \$0.014 higher than the prior week's price and \$0.583 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 2/17	Weekly Change	YTD Change
DJIA	19762.60	20269.37	20624.05	1.75%	4.36%
Nasdaq	5383.12	5734.13	5838.58	1.82%	8.46%
S&P 500	2238.83	2316.10	2351.16	1.51%	5.02%
Russell 2000	1357.13	1388.84	1399.86	0.79%	3.15%
Global Dow	2528.21	2624.13	2654.77	1.17%	5.01%
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%	2.40%	2.41%	1 bps	-3 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 Consumer Price Index, a measure of change in the prices of goods and services sold to consumers, is the most widely followed indicator of inflation. January saw the largest increase in consumer prices since February 2013, as the CPI advanced 0.6% for the month. A sharp rise in the gasoline index (7.8%) accounted for nearly half the increase. Since January 2016, the CPI increased 2.5%. The index for all items less food and energy (core prices) rose 0.3% in January. Most of the major component indexes increased in January, with the indexes for apparel, new vehicles, motor vehicle insurance, and airline fares all rising 0.8% or more. Core prices rose 2.3% over the last 12 months, and the energy index increased 10.8%, its largest 12-month increase since November 2011. This report, coupled with reports on producer prices and retail prices, clearly indicate inflation is gathering momentum, making an interest-rate hike in March by the Fed more likely.
- The Bureau of Labor Statistics provides a monthly Producer Price Index that measures change in the prices received by U.S. producers of goods and services (wholesale prices). Rising or falling prices at



Key Dates/Data Releases

2/22: Existing home sales

2/24: New home sales,
consumer sentiment

the producer level are generally passed on to consumers, so this information can be useful as a gauge of inflationary trends. In January, producer prices increased 0.6%, following a 0.2% increase in December. Over 60% of the producer price increase is attributable to a 1.0% increase in the prices of goods, led by the gasoline index, which advanced 12.9%. Prices for goods less food and energy climbed 0.4%. The index for services rose 0.3% in January after edging up 0.1% in December. Year-to-date, the Producer Price Index has climbed 1.6%.

- The advance monthly sales report for retail and food services sales showed an increase of 0.4% in January, and an advance of 5.6% from a year earlier. Retail trade sales were up 0.2% from December 2016, while advancing 5.6% from last January. Gasoline station sales were up 14.2% from January 2016, while sales of nonstore (Internet) retailers were up 12.0% from last year. It is likely that this report will be revised over the next several months as more information becomes available.
- Industrial production decreased 0.3% in January following a 0.6% increase in December. For the month, most of the major non-energy market groups recorded increases, but the drop in the output of utilities contributed substantially to losses in the overall indexes for consumer goods, business supplies, and materials through their energy components. In January, manufacturing output moved up 0.2% — an increase that was limited by a 2.9% monthly drop in vehicles. Excluding vehicles, production in manufacturing advanced 0.5%. The index for utilities fell 5.7%, largely because unseasonably warm weather reduced the demand for heating. Total industrial production in January was at about the same level as it was a year earlier. Capacity utilization for the industrial sector fell 0.3 percentage point in January to 75.3%, a rate that is 4.6 percentage points below its long-run (1972-2016) average.
- During testimony before the Senate Banking Committee, FOMC Chair Janet Yellen expressed optimism about the economy and hinted that the Fed would consider raising short-term interest rates at its next meeting in March. Yellen noted that employment continues to be strong, while the economy has expanded at a moderate rate as evidenced by last year's 1.9% growth rate of the GDP. Consumer spending has increased and inflation has trended upwards, mainly because of the diminishing effects of the earlier declines in energy prices and import prices. "My colleagues on the FOMC and I expect the economy to continue to expand at a moderate pace, with the job market strengthening somewhat further and inflation gradually rising to 2%," she said.
- The Census Bureau report on new residential construction is the first of three monthly reports addressing the housing sector. New home construction slowed in January as housing starts fell 2.6% compared to December, while new home completions dropped 5.6%. The number of building permits obtained was 4.6% higher than the December rate. However, compared to January 2016, housing starts are up 10.5% and building permits increased 8.2%. Only the rate of housing completions (0.9%) is below the number of completions in January 2016.
- In the week ended February 11, the advance figure for seasonally adjusted initial unemployment insurance claims was 239,000, an increase of 5,000 from the previous week's unrevised level. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended February 4 was 2,076,000, a decrease of 3,000 from the prior week's revised level. The highest insured unemployment rates in the week ended January 28 were in Alaska (4.5%), Montana (3.2%), New Jersey (3.1%), Connecticut (3.0%), Pennsylvania (2.9%), Illinois (2.8%), Rhode Island (2.8%), Massachusetts (2.7%), Puerto Rico (2.7%), and West Virginia (2.6%).

Eye on the Week Ahead

In a holiday-shortened week, housing data, as well as minutes of the most recent Federal Open Market Committee meeting, are on tap.

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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