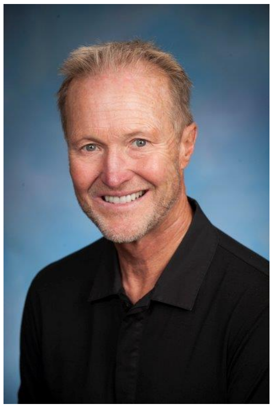

AK Financial Group
Andrew C. Karlinski, CFP®
Registered Representative, LPL Financial
6 Venture Ste 390
Irvine, CA 92618
949-788-7700
ak@akfinancialgroup.com
www.akfinancialgroup.com

Market Week: March 20, 2017

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

Following the Fed's announcement that it was raising the target range for the federal funds rate 25 basis points, investors favored government bonds and dividend-paying stocks last week. As a result, the yield on 10-year Treasuries fell 7 basis points as prices climbed with increased demand. Each of the benchmark indexes listed here posted gains over their prior week's closing values. The small-cap Russell 2000 and Global Dow led the way, followed by the Nasdaq.

The price of crude oil (WTI) climbed marginally higher last week, closing at $48.70 per barrel, up from the prior week's closing price of $48.39 per barrel. The price of gold (COMEX) also increased, closing at $1,229.30 by late Friday afternoon, up from the prior week's price of $1,204.50. The national average retail regular gasoline price decreased to $2.323 per gallon on March 13, 2017, $0.018 less than the prior week's price but $0.362 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 3/17	Weekly Change	YTD Change
DJIA	19762.60	20902.98	20914.62	0.06%	5.83%
Nasdaq	5383.12	5861.73	5901.00	0.67%	9.62%
S&P 500	2238.83	2372.60	2378.25	0.24%	6.23%
Russell 2000	1357.13	1365.26	1391.52	1.92%	2.53%
Global Dow	2528.21	2671.06	2704.83	1.26%	6.99%
Fed. Funds target rate	0.50%-0.75%	0.50%-0.75%	0.75%-1.00%	25 bps	25 bps
10-year Treasuries	2.44%	2.57%	2.50%	-7 bps	6 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

- Not unexpectedly, the FOMC raised the target range for the federal funds rate by 25 basis points to 0.75%-1.00%. The Committee judged that a modest increase in the federal funds rate is appropriate in light of the economy's solid progress toward the Committee's goals of maximum employment and price stability. The decision to increase interest rates reflects the Committee's view that waiting too long to scale back some accommodation could potentially require raising rates rapidly sometime down the road, which, in turn, could risk disrupting financial markets and push the economy into recession. Anticipating continued labor strengthening and inflation inching toward the Fed's longer-range target of 2.0%, two more rate increases are still in the offing over the remainder of 2017. Interestingly, in Chair Janet Yellen's prepared comments, she noted the Committee's economic projections as follows: the growth of the GDP is expected to be 2.1% this year and next and edge down to 1.9% in 2019; the unemployment rate would stand at 4.5% in the fourth quarter of this year and remain at that level over the next two years; and the median inflation projection remains at 1.9% this year, rising to 2.0% in 2018 and 2019.

Key Dates/Data Releases
3/22: Existing home sales
3/23: New home sales
3/24: Durable goods orders

- In a sign of continuing inflationary pressure, consumer prices, retail sales, and producer prices each increased in February. Consumer prices edged up 0.1% in February, according to the latest report from the Bureau of Labor Statistics. Over the last 12 months, the CPI has risen 2.7%. The index was held down by declining energy prices (-1.0%), which partially offset increases in several indexes, including food, shelter, and recreation. The index less food and energy rose 0.2% in February, and has increased 2.2% for the 12 months ended February 2017. This was the fifteenth straight month the 12-month change remained in the range of 2.1% to 2.3%, which is in line with the Fed's longer-range target of 2.0% inflation.
- Advance estimates of U.S. retail and food services sales for February 2017 were $474.0 billion, an increase of 0.1% from the previous month and 5.7% ahead of February 2016. Retail sales increased 0.1% from January, and are up 5.9% from last February. Gasoline stations sales were up 19.6% from February 2016, while nonstore (internet) retailers' sales jumped 13.0% over last year. Conversely, restaurant and bar sales fell 0.1% for the month.
- Producer prices for goods and services increased 0.3% in February, following a 0.6% increase in January. The price index climbed 2.2% for the 12 months ended February 2017 — the largest advance since a 2.4% increase in the 12 months ended March 2012. Prices less foods, energy, and trade services rose 0.3% in February, the largest increase since a 0.3% advance in April 2016. For the 12 months ended in February, the index less foods, energy, and trade services climbed 1.8%.
- New construction in the housing market picked up in February. Housing starts rose 3.0% for the month compared to January, and are 6.2% above the February 2016 rate. Single-family housing starts in February were 6.5% above the revised January figure. Housing completions also surged in February, climbing 5.4% above the revised January estimate and 8.7% ahead of the February 2016 pace. On the other hand, permits for new residential construction were off, down 6.2% in February from January but still 4.4% ahead of the February 2016 estimate.
- The Job Openings and Labor Turnover Survey(JOLTS) offers information on monthly changes in the number of job openings, hires, and quits. The latest information for January reveals that there were 5.6 million job openings on the last day of January — about 87,000 more openings than December. There were 5.4 million hires in January, roughly 137,000 more than December. The number of total separations, including quits, layoffs, and discharges, (otherwise known as "turnover") increased by 174,000 in January compared with December. Over the 12 months ended in January, hires totaled 63.1 million and separations totaled 60.7 million, yielding a net employment gain of 2.4 million.
- The Federal Reserve's index of industrial production shows how much factories, mines, and utilities are producing. Industrial production was unchanged in February following a 0.1% decrease in January. However on a positive note, manufacturing output moved up 0.5% for its sixth consecutive monthly increase. Manufacturing gains occurred in business equipment and auto production. Mining output jumped 2.7%, but the index for utilities fell 5.7%, as continued unseasonably warm weather further reduced demand for heating. Capacity utilization for the industrial sector declined 0.1 percentage point in February to 75.4%.
- In the week ended March 11, the advance figure for seasonally adjusted initial unemployment insurance claims was 241,000, a decrease of 2,000 from the previous week's revised level. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended March 4 was 2,030,000, a decrease of 30,000 from the previous week's revised level.

Eye on the Week Ahead

This week should see equities markets settle following the Fed's decision last week to increase interest rates for the first time this year. February's figures on sales of existing and new homes are available this week. Orders for durable goods have been volatile at best. Not much change is expected in the manufacturing sector when February's numbers are released at the close of 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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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

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