

Market Week: December 4, 2017

The Markets (as of market close December 1, 2017)

Equities surged for much of last week until an abrupt decline midday last Friday culled some of the earlier gains. Nevertheless, of the indexes listed here, only the Nasdaq lost value from the prior week. The Dow led the way posting an impressive gain of 2.86%, followed by the S&P 500, which climbed over 1.5%. Reports that the Senate was close to passing a tax reform bill may have heightened investor confidence as trading picked up during the week. However, news surrounding former national security advisor Michael Flynn involving the Russian probe could have squelched investor enthusiasm last Friday.

The price of crude oil (WTI) fell to \$58.34 per barrel last Friday, down slightly from the prior week's closing price of \$58.97 per barrel. The price of gold (COMEX) fell to \$1,283.00 by early Friday evening, down from the prior week's price of \$1,292.60. The national average retail regular gasoline price decreased to \$2.533 per gallon on November 27, 2017, \$0.035 lower than the prior week's price but \$0.379 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 12/1	Weekly Change	YTD Change
DJIA	19762.60	23557.99	24231.59	2.86%	22.61%
Nasdaq	5383.12	6889.16	6847.59	-0.60%	27.20%
S&P 500	2238.83	2602.42	2642.22	1.53%	18.02%
Russell 2000	1357.13	1519.16	1537.02	1.17%	13.25%
Global Dow	2528.21	2992.73	3007.96	0.51%	18.98%
Fed. Funds target rate	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
10-year Treasuries	2.44%	2.34%	2.36%	2 bps	-8 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 Economic Headlines

- The second estimate of the third-quarter gross domestic product was more favorable than the first reading. The GDP increased at an annual rate of 3.3% in the third quarter ahead of the first estimate's growth rate of 3.0%. In the second quarter, the GDP increased 3.1%. Gross domestic income (the sum of various incomes earned and costs incurred in the production of GDP) increased 2.5% in the third quarter, compared with an increase of 2.3% (revised) in the second. The increase in the second estimate of the GDP is due to an increase in nonresidential (business) investment and inventory growth, while residential investment and net exports (imports less exports) subtracted less than initially estimated.
- Consumer price inflation continues to slowly expand. Consumers increased their spending by 0.3% in spite of an increase in income. Personal (pre-tax) income increased 0.4% in October, while disposable personal (after-tax) income jumped 0.5% for the month. Core personal consumption expenditures,

Key Dates/Data Releases

12/5: International trade

12/6: ISM Non-Manufacturing Index

12/8: Employment situation

excluding food and energy, increased 0.2% over September. The personal consumption price index, a measure of the prices consumers are paying for consumer goods and services, increased a mere 0.1% in October.

- New home sales continued to increase in October, according to the Census Bureau. Sales of new single family homes were at an annual rate of 685,000 in October, up 6.2% from September's rate. The sales rate in October is 18.7% above the October 2016 estimate. The median new-home price in October was \$312,800, while the average sales price was \$400,200. The estimate of new houses for sale at the end of October was 282,000, representing a supply of 4.9 months at the current sales rate.
- The Census Bureau announced that the trade deficit in October, the first month of the 2018 fiscal year, was \$68.3 billion, up \$4.2 billion from September. Exports were \$129.1 billion, \$1.3 billion less than September exports, while imports increased \$2.9 billion in October from the prior month.
- According to the IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™), the manufacturing sector grew in November, but at a slightly slower pace than the previous month. Goods output slowed as well, while new orders received by manufacturers rose at the second-fastest pace since March.
- The Conference Board Consumer Confidence Index®, which had improved in October, increased further in November. The index now stands at 129.5, up from 126.2 in October. The Present Situation Index increased from 152.0 to 153.9, while the Expectations Index rose from 109.0 last month to 113.3. Average prices charged by manufacturers in November rose at the fastest rate in the last four years.
- The Manufacturing ISM® Report On Business® also showed manufacturing accelerated in November, but not quite as fast as in October. Manufacturing production and new orders outpaced October's rates, while deliveries slowed.
- Claims for unemployment insurance are on the upswing after falling the past few weeks. In the week ended November 25, the advance figure for initial claims for unemployment insurance was 238,000, a decrease of 2,000 from the previous week's level, which was revised up by 1,000. The advance insured unemployment rate remained at 1.4%. The advance number of those receiving unemployment insurance benefits during the week ended November 18 was 1,957,000, an increase of 42,000 from the previous week's level, which was revised up 11,000.

Eye on the Week Ahead

The last week of November reveals some important economic information. The second report on the third-quarter GDP is out this week. The initial estimate in October showed the GDP increased at a 3.0% annualized growth rate. Also revealed this week is the report on personal income and spending for October. This indicator of inflationary trends is one of the economic reports relied on by the Fed in determining whether to raise interest rates.

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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