DECEMBER 11, 2017

Weekly Market Update

General Market News

- The yield on the 10-year Treasury opened this Monday at 2.38 percent, after a volatile week that saw it as high as 2.42 percent and as low as 2.31 percent. The volatility can be attributed largely to the ongoing debate over the tax bill.

- U.S. markets remained mixed last week. The Dow Jones continued its lead among the three major indices, posting a gain of 0.46 percent. The S&P 500 followed with a gain of 0.39 percent, but the Nasdaq Composite continued to struggle, losing 0.10 percent as the markets continued to favor value over growth.

- Both the U.S. and the U.K. reached important deals last week. The U.S. deal temporarily avoided a government shutdown; in two weeks, the House and Senate will try to negotiate a longer-term solution. Overseas, the U.K. and European Union (EU) came to a financial agreement for Brexit, which included discussion of the rights of EU citizens in the U.K. and details regarding the border with Northern Ireland.

- In other news last week, the International Monetary Fund (IMF) issued a warning regarding a stress test it conducted on Chinese banks, which found that many of them were overextended on the amount of credit issued.

- Last week's economic news was positive, with better-than-expected results across the board. On Monday, durable goods orders declined by less than expected. It was even more promising that core orders, which exclude volatile transportation purchases, rose by a healthy 0.9 percent.

- On Tuesday, the Institute for Supply Management's Nonmanufacturing index declined slightly to 57.4; however, this still represents a very strong sentiment for the service economy.

- On Friday, the November employment report came in better than expected, as 228,000 new jobs were added against expectations for 200,000. The underlying data was also positive, as unemployment remained at 4.1 percent and wages continued to grow.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.39	0.19	20.72	20.45
Nasdaq Composite	–0.10	–0.48	28.46	27.75
DJIA	0.46	0.30	26.07	27.05
MSCI EAFE	0.10	–0.72	22.79	23.55
MSCI Emerging Markets	–0.45	–0.88	31.71	29.61
Russell 2000	–0.97	–1.42	13.46	11.22

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.27	3.34	3.85
U.S. Treasury	0.24	2.24	2.62
U.S. Mortgages	0.22	2.37	2.61
Municipal Bond	1.09	5.49	5.77

Source: Morningstar Direct

What to Look Forward To

This week will be relatively slow, with the release of just a few reports, though they will cover the spectrum of economic activity.

On Wednesday, the Consumer Price Index is expected to show that headline inflation accelerated 0.4 percent in November, up from growth of 0.1 percent in October. This would bring the annual rate from 2 percent to 2.2 percent. Rising energy prices—especially gasoline—are expected to contribute to the increase. The core inflation index, which excludes food and energy, is expected to grow by 0.2 percent in November, leaving the annual figure unchanged at 1.8 percent.

Also on Wednesday, the Federal Reserve (Fed) is expected to raise interest rates at its final meeting of 2017, followed by Chair Yellen's last press conference. Markets will be watching closely to see what they can learn about next year.

On Thursday, the retail sales report is expected to rise by 0.3 percent in November, up from 0.2 percent in October. This figure may be affected by lower auto sales after the post-hurricane surge. Core sales, which exclude autos, are expected to grow by 0.7 percent in November, up significantly from 0.1 percent in October. The growth should be driven by faster spending in general, as well as by higher gasoline prices.

What to Look Forward To (continued)

Finally, on Friday, industrial production is expected to increase by 0.3 percent in November, which is down from 0.9-percent growth in October. The strong October number was due to a rebound from hurricane disruptions in September, so the decline is normal, and the expected growth remains healthy. Manufacturing activity also is expected to decline from 1.3 percent to 0.2 percent, which would also maintain a healthy growth level.

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