

# WeeklyMarket Update



## General Market News

- The Federal Reserve rate hike last week reflected growing confidence in the U.S. economy, pushing equity markets higher. Meanwhile, the 10-year Treasury yield dropped from as high as 2.62 percent to below 2.5 percent. Historically, this has been typical behavior for the longer end of the curve. Volatility is to be expected as the Fed increases rates, but the 10- to 30-year part of the curve tends to perform better than the short end in these scenarios.
- All three major U.S. indices posted modest gains last week. The Nasdaq Composite led the way with a gain of 0.70 percent, followed by the S&P 500 and Dow Jones Industrial Average, which ticked up by 0.28 percent and 0.08 percent, respectively. As widely expected, the Fed raised short-term interest rates by 25 basis points on Wednesday. Fed Chair Janet Yellen said that she continues to expect two additional rate hikes in 2017. The market favored “bond proxy” stocks last week, with the real estate, telecom, and utilities sectors posting the best performance as financials and health care cooled off.
- In other news, the Liberal Party defeated the more populist Freedom Party in the Dutch elections, showing that the Netherlands and Europe may still favor an environment of globalization and free trade, despite rising populist sentiment around the world. Markets will be watching to see if France and Germany follow suit in their elections later this year.
- A number of important data points were reported last week. Consumer Price Index data came in slightly above expectations, marking a five-year high for the index on an annual basis. Retail sales data fell slightly short of expectations. As expected, the Fed increased the federal funds rate, showing that it has a positive outlook for the U.S. economy. Finally, housing starts came in higher than expected, which bodes well for future growth in the housing market.

## % Market Index Performance Data

### EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.28	0.73	6.72	19.03
Nasdaq Composite	0.70	1.36	9.90	25.09
DJIA	0.08	0.61	6.47	22.78
MSCI EAFE	2.09	2.86	7.36	11.81
MSCI Emerging Markets	4.29	3.21	12.20	21.40
Russell 2000	1.97	0.45	2.79	29.40

Source: Bloomberg

## Market Index Performance Data (continued)

## FIXED INCOME

Index	Month-to-Date (MTD) %	Year-to-Date (YTD) %	12-Month %
U.S. Broad Market	-0.71	0.15	0.36
U.S. Treasury	-0.70	0.02	-1.51
U.S. Mortgages	-0.57	-0.13	-0.16
Municipal Bond	-0.60	0.75	-0.17

Source: Morningstar Direct



## What to Look Forward To

This week will be quieter than last, with most of the news coming from the housing market. On Wednesday, **Existing Home Sales** data is scheduled for release. The next day, **New Home Sales** figures will be reported. Both metrics are expected to rise, given high levels of home-builder confidence and low interest rates.

The week will end with Friday's release of **Durable Goods Orders** data. This indicator is often seen as a proxy for business investment and sentiment.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. Rev.03/17.

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