



Market Week: January 16, 2018

The Markets (as of market close January 12, 2018)

Equities continued their strong showing to start the year. Each of the benchmark indexes listed here posted solid gains, led by the Russell 2000. The S&P 500 advanced more than 1.0% for the second week in a row — the first time that's happened since last July. Investors may be expecting a continuation of strong corporate profits as the fourth-quarter earnings reporting season began Friday. News that China may curtail or even halt its purchase of U.S. Treasuries pushed yields on the 10-year note to their highest level in several months. The price of oil continues to rise, boosting energy stocks. Strong retail sales in December may have encouraged investors to believe that the economy will continue to expand, while sending retail stocks higher.

The price of crude oil (WTI) climbed to \$64.40 per barrel last Friday, up from the prior week's closing price of \$61.55 per barrel. The price of gold (COMEX) rose to \$1,338.30 by early Friday evening, ahead of the prior week's price of \$1,320.90. The national average retail regular gasoline price increased to \$2.522 per gallon on January 8, 2018, \$0.002 above the prior week's price and \$0.134 more than a year ago.

Market/Index	2017 Close	Prior Week	As of 1/12	Weekly Change	YTD Change
DJIA	24719.22	25295.87	25803.19	2.01%	4.39%
Nasdaq	6903.39	7136.56	7261.06	1.74%	5.18%
S&P 500	2673.61	2743.15	2786.24	1.57%	4.21%
Russell 2000	1535.51	1560.01	1591.97	2.05%	3.68%
Global Dow	3085.41	3175.51	3229.08	1.69%	4.66%
Fed. Funds target rate	1.25%-1.50%	1.25%-1.50%	1.25%-1.50%	0 bps	0 bps
10-year Treasuries	2.41%	2.47%	2.54%	7 bps	13 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

- Consumer prices have remained relatively stable through 2017, according to the Consumer Price Index. The price increase was driven primarily by an increase in housing and medical care costs. For the last month of the year, the CPI increased a marginal 0.1%. Over the year, the index rose 2.1%. Core prices, less food and energy, increased 0.3% in December — the largest increase since last January. For 2017, core prices have increased 1.8%.
- In yet another sign that price inflationary pressures are stagnant, the Producer Price Index for December fell 0.1% after advancing 0.4% in both October and November. This drop in prices is the first such decline since August 2016. Most of the decline is attributable to a 0.2% decline in the prices for services. Core prices (less food, energy, and trade services) edged up 0.1% in December. For the 12 months ended in December, the PPI rose 2.6% after advancing 1.7% in 2016. Core prices increased 2.3% in



Key Dates/Data Releases

1/17: Industrial production

1/18: Housing starts

2017, after climbing 1.8% the prior year.

- With prices remaining consistent, it isn't surprising that retail sales picked up in December, particularly during the holiday shopping season. Advance estimates of U.S. retail and food services sales for December 2017 increased 0.4% from the previous month, and 5.4% from December 2016. Total sales for 2017 were up 4.2%.
- There were 5.9 million job openings on the last business day of November, according to the Job Openings and Labor Turnover report from the Bureau of Labor Statistics. There were 5.5 million hires and 5.2 million separations. The quits rate was 2.2%, while the rate of layoffs and discharges was 1.1%. Job openings increased in retail trade (+88,000), but decreased in other services (-64,000); transportation, warehousing, and utilities (-60,000); and real estate and rental and leasing (-39,000). Over the 12 months ended in November, hires totaled 64.6 million and separations totaled 62.4 million, yielding a net employment gain of 2.1 million.
- The federal deficit was \$23.2 billion in December. Over the first three months of fiscal 2018, the total deficit sits at \$224.9 billion. For December, government receipts were \$325.8 billion, while the government spent about \$349 billion.
- Prices for U.S. imports ticked up 0.1% in December, following an 0.8% rise the previous month. Higher fuel prices more than offset a decline in the price index for nonfuel prices in December. In contrast, U.S. export prices edged down 0.1% in December, after advancing 0.5% in November. Nevertheless, export prices rose 2.6% in 2017 following a 1.3% rise in 2016. The 2017 advance was the largest calendar-year increase since 2011, when the index rose 3.6%.
- In the week ended January 6, initial claims for unemployment insurance was 261,000, an increase of 11,000 from the previous week's level. The advance insured unemployment rate dipped to 1.3%. The advance number of those receiving unemployment insurance benefits during the week ended December 30 was 1,867,000, a decrease of 35,000 from the prior week's level, which was revised down by 12,000. This is the lowest level for insured unemployment since December 29, 1973, when it was 1,805,000.

Eye on the Week Ahead

The holiday (Martin Luther King Jr. Day) week offers little in terms of economic reports. However, the latest report on new residential construction for December is out this week. Applications for building permits and housing completions were down in November, although housing starts were up. Frigid temperatures and some inclement weather may put a further damper on new home building in December.

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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