



INCISIVE INVESTOR

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WEEK IN REVIEW TECH & HEALTHCARE LEAD MARKETS TO RECORDS

Review of the week ended January 26, 2018

- **New records for 3 benchmarks**
- **GDP lower than expected**
- **Trump attends Davos summit**
- **US dollar lower again this week**
- **Foreign stocks mixed**

U.S. equity benchmarks on Friday surged to session highs, finishing the day squarely in record territory and booking a fourth straight weekly advance. The Dow Jones Industrial Average rose 0.9%, to a record at 26,616.71. Shares of Intel Corp (INTC) and 3M Co. (MMM) contributed a significant portion, about 75 points, of the Dow's solid advance. Meanwhile, the S&P 500 index climbed 1.2%, to an all-time high at 2,872.87 on the back of a 2.2% gain in the health-care sector and a 1.6% rally in technology, viewed as the growth areas of the market. The tech-laden Nasdaq Composite Index meanwhile surged 1.3%, to 7,505.77, closing at a record.

All three benchmarks finished at their best levels of the day, suggesting that investors continue to rush into equities amid an

almost relentless ascent for assets perceived as risky despite rising concerns about lofty valuations. Oil prices ended the week higher, with U.S. benchmark above \$66 WTI, Brent oil tallied its fifth weekly climb in six. Oil climbed on Friday, as overall decline in the dollar, forecasts for higher energy demand and several weeks of declines in U.S. crude supplies, helps drive a gain of 4.5% for the week. Bond prices fell. The yield on the 10-year Treasury note rose to 2.66 percent from 2.62 percent. Earlier it reached its highest level in three and a half years. On the metals market, after it reached an 18-month high Thursday, gold fell \$10.80 to \$1,352.10 an ounce. Silver dropped 17 cents, or 1 percent, to \$17.44 an ounce. Copper slipped 2 cents to \$3.20 a pound.

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GDP lower than expected but still good

Consumers and businesses powered the economy to a 2.6% rate of growth in the final three months of 2017, but declining inventories and a wider trade deficit kept the U.S. from hitting the 3% mark for the third quarter in a row for the first time in 13 years. Economists that were surveyed had forecast a 3% increase in gross domestic product, the official scorecard for the U.S. economy. Still, the reading was viewed as sufficiently solid to maintain what has been a mostly bullish run for U.S. equities amid better-than-expected corporate results and expectations for a pro-business legislative regime under Trump. Consumer spending accelerated to a 3.8% annual pace of growth, the fastest pace in almost two years. Americans spent more on new cars and trucks, clothing and health care, among other things. Businesses also got into the act. They increased spending on equipment by 11.4%, while investment in new housing jumped 11.6%. Companies slowed production in the fourth quarter, however. The value of unsold goods, or inventories, fell by \$29.3 billion. But even that might not be bad news. Companies may have sold more goods than expected in the holiday season, causing inventories to drop.

Trump attends World Economic Forum at Davos

The relationship between President Donald Trump and the global elites assembled in Davos seemed to thaw during the nationalist president's appearance at the World Economic Forum. Critics had speculated that the president would function as a protectionist bull in the free-trade-loving china shop. While there were scattered protests, the president's visit also brought him praise from allies, a reception in his honor and a fawning dinner with European business executives.

President Trump also declared that America is open for business under his leadership. Playing the role of economic cheerleader, Trump told a gathering of political and business elites Friday that the economic growth taking place in the U.S.



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due to his "America first" agenda also benefits the rest of the world. Trump says American prosperity has created countless jobs around the world.



Major Stock News

Colgate-Palmolive Co. fell 4.9% after the company reported fourth-quarter results that were weaker than forecast. Intel Corp. (INTC) jumped nearly 10.6% after the chip maker's earnings beat Wall Street estimates late Thursday. Its percentage gain was the best since Sept. 21, 2000, according to WSJ Market Data Group.

Shares of Starbucks Corp. (SBUX) closed down 4.2% after the coffee retailer reported same-store sales below Wall Street's expectations and missed sales forecasts late Thursday. VMware Inc.'s stock (VMW) finished up 9% after the Wall Street Journal reported that Dell Inc. could be exploring a deal to buy the cloud computing company. Dell may also be considering an IPO, the article said.

Drug maker AbbVie posted a

better-than-expected profit and greater sales. Its revenue from Humira, an inflammatory disease treatment that is the world's biggest-selling drug by revenue, climbed 14 percent. AbbVie also raised its profit forecast for 2018. The stock jumped \$15.03, or 13.9 percent, to \$123.33. Pfizer rose on reports it's getting closer to a deal to sell its consumer health care business, a possibility Pfizer raised in October. Its stock gained \$1.74, or 4.7 percent, to \$38.97. Shares of Wynn Resorts tumbled after The Wall Street Journal reported dozens of allegations of sexual assault and harassment by Steve Wynn, the casino operator's chairman, CEO and biggest shareholder. Wynn denied the reports. The company's stock gave up \$21.45, or 10.7 percent, to \$179.15.

U.S. Dollar Limp through the Week

It was another rough week for the U.S. dollar as jawboning by the Treasury secretary and fears of a trade war with most of Asia drove the dollar index to its lowest level in more than three years. Sellers remained in control despite evidence of healthy U.S. economic growth, a quick resolution to the government shut-down, and three-and-a-half year high in the yield of the 10-year Treasury note. European currencies were the best performers this week with the euro, British pound, Swiss franc and Norwegian krone all hitting multi-year highs against the dollar.

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Preview of Next Tuesday & Wednesday's FOMC Meeting

It will be Chair Janet Yellen's last meeting but no policy action is expected. There is no press conference this time around, and there will be no updates on the dot plot or economic projections. After today's GDP report, the Fed can again confidently repeat that "economic activity has been rising at a solid rate." Many economists suspect the strength in growth and

inflation sets the stage for a 25 bps tightening at the March 20-21 meeting.

Foreign Stocks

European stocks rose while Asian markets closed mixed. The CAC 40 in France jumped 0.9 percent while the German DAX gained 0.3 percent. The FTSE 100 in Britain rose 0.7 percent. Japan's Nikkei 225 slipped 0.2 percent and South Korea's Kospi rose 0.5 percent. Hong Kong's Hang Seng index jumped 1.5 percent.

THE WEEK AHEAD - UNITED STATES

Date

- Monday, January 29
- Tuesday, January 30
- Wednesday, January 31
- Thursday, February 1
- Friday, February 2

Release/Event

Dallas Fed Manufacturing Survey
 FOMC Meeting Begins; Consumer Confidence
 FHFA House Price Index; Existing Home Sales
 Jobless Claims; New Home Sales; Leading Indicators
 Durable Goods Orders; GDP



I will be glad to show you how I have helped many other area residents plan for a more secure future for themselves and their heirs. Have you done enough to determine that your investments are allocated properly for your goals, dreams, and legacy? Call today to schedule your personal appointment date and time.

-Randall Fielder

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