



# INCISIVE INVESTOR

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## WEEK IN REVIEW: MAY JOBS DATA DISAPPOINTING

### Review of the week ended June 2, 2017

- **U.S. stock-market indexes closed at records Friday, led by gains for technology shares**
- **US nonfarm payrolls rose 138,000; March/April revised down**
- **Merkel: We have to fight for our own future ourselves**
- **US quits Paris agreement**

The S&P 500 index closed up 0.4%, at a record 2,349.07, after touching an intraday record at 2,440.23. Tech, with a 1% rise, was the top performing sector. Energy shares finished down 1.2%, largely following oil prices. Financials stocks were another area of weakness on Wall Street, with the sector trading 0.4% lower. The Dow Jones Industrial Average rose 0.3%, to finish at a record 21,206.29, led higher by shares of Boeing Co. (BA) up 1.55% and Microsoft Corp. (MSFT) gaining 2.37%. Earlier, the average touched a record intraday high of 21,225.04. The Nasdaq Composite Index climbed 0.9%, to close at a record 6,305.80, after touching an intraday high of 6,308.76. Along with all three main indexes closing at records, the Dow industrials finished the week up 0.6%, the S&P 500 advanced 1%, and the Nasdaq gained 1.5%.

The May non-farm payrolls showed the economy added 138,000 jobs last month, coming in below Wall Street economists' forecasts. The yield on the 10-year Treasury

note fell nearly 6 basis points to 2.154%, declining below its 200-day moving average for the first time since October. Meanwhile, the dollar weakened against other major currencies, with the ICE U.S. Dollar index last down less than 0.1% at 96.68. In other markets: Oil prices fell 1.5% to settle at \$47.66 a barrel for a three-week low on Friday, partly driven by concerns that President Trump's decision to pull the U.S. from the Paris Climate Accord will lead to an increase in U.S. oil output. Gold prices rose 0.8% to settle at \$1,280.20 an ounce. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), remained historically muted, falling to 9.9 from 10.8 last week.

Individual stocks: Shares of Broadcom Limited (AVGO) finished up 8.5% after reporting earnings. Shares of Lulu Lemon Athletica Inc. (LULU) shot up nearly 12% after the apparel-maker posted first quarter results that beat expectations late Thursday. Leading the slump in energy were shares of Devon Energy

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Corp. (DVN), -3.33%, Newfield Exploration Co. (NFX) -5.02%, Range Resources Corp. (RRC) -3.89% all of which finished down 3% or more, while Transocean Ltd. (RIG), shares declined 2.17%.

## **US adds fewer jobs than forecast**

The May employment report was a disappointment save for a continued drop in the unemployment rate. 138,000 new jobs were added last month, while revisions to March and April data trimmed 66,000 from previous totals. Economists had expected a rise of 184,000 nonfarm payrolls. Wage gains were steady at 2.5% versus a year ago. The bright spot in the report was the continued fall in the unemployment rate, which edged down to a 16 year low of 4.3%. While weaker than expected, the data likely won't dissuade the US Federal Reserve from hiking rates later this month.

## **US pulls out of Paris Agreement**

Saying he was elected to represent the voters of Pittsburgh, not Paris, US president Donald Trump this week announced that the United States would pull out of the Paris climate deal. The agreement put the US at a disadvantage, Trump said, highlighting its lack of enforcement mechanisms. Trump offered to renegotiate the deal, though Germany, France and Italy balked at the notion.

## **GLOBAL NEWS**

### **Merkel downplays past partnerships**

Speaking at a campaign event inside a Bavarian beer tent shortly after the NATO and G7 summits, German chancellor Angela Merkel said the times when Europe could rely on others were over. She said while friendly relations with the US and UK are needed, she added that "we have to fight for our own future ourselves". The German federal election takes place on 24 September.

## THE WEEK AHEAD

- **Service sector purchasing managers indices globally on Monday, June 5**
- **Reserve Bank of Australia interest rate decision on Tuesday, June 6**
- **Eurozone releases retail sales on Tuesday, June 6; gross domestic product on Wednesday, June 7; and the European Central Bank rate decision on Thursday, June 8**
- **China reports foreign exchange reserves on Wednesday, June 7 and trade balance on Thursday, June 8**
- **Japan reports gross domestic product on Thursday, June 8**
- **United Kingdom has its general election on Thursday, June 8**
- **Unemployment rate is released in Canada on Thursday, June 9**