



## Capital Asset Management

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# Market Week: November 6, 2017



## The Markets (as of market close November 3, 2017)

The benchmark indexes were mixed last week as large caps and tech stocks performed well, while small caps took quite a hit. The S&P 500 closed the week posting gains for the eighth straight week. The small caps of the Russell 2000 lost almost 1.0%. Technology and energy stocks performed well. Economic and political news also may have shaped the market last week as the Fed decided to hold short-term interest rates steady, and the president nominated a new chairman of the central bank to succeed Janet Yellen. Long-term bond yields fell as investors pushed bond prices higher.

The price of crude oil (WTI) rose to \$55.73 per barrel last Friday, up from the prior week's closing price of \$54.02 per barrel. The price of gold (COMEX) dropped to \$1,270.00 by early Friday evening, decreasing from the prior week's price of \$1,273.90. The national average retail regular gasoline price increased for the first time in several weeks to \$2.488 per gallon on October 30, 2017, \$0.009 higher than the prior week's price and \$0.258 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 11/3	Weekly Change	YTD Change
<b>DJIA</b>	19762.60	23434.19	23539.19	0.45%	19.11%
<b>Nasdaq</b>	5383.12	6701.26	6764.44	0.94%	25.66%
<b>S&amp;P 500</b>	2238.83	2581.07	2587.84	0.26%	15.59%
<b>Russell 2000</b>	1357.13	1508.32	1494.91	-0.89%	10.15%
<b>Global Dow</b>	2528.21	2962.88	2976.80	0.47%	17.74%
<b>Fed. Funds target rate</b>	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
<b>10-year Treasuries</b>	2.44%	2.41%	2.33%	-8 bps	-11 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

- Released just ahead of the Federal Open Market Committee's meeting, the report on personal income and consumer spending showed notable upward movement in September. Both personal (pre-tax) income and disposable (after-tax) income increased 0.4% for the month. Consumer spending, as measured by personal consumption expenditures, spiked 1.0% following a 0.1% increase in August. However, excluding volatile food and energy segments, core personal consumption expenditures inched up by only 0.1%. Over the last 12 months, consumer spending has expanded at a rate of 1.6%, while core spending is up 1.3%.
- Slow inflationary growth kept interest rates at their current level in November. The Federal Open Market Committee decided to maintain the target range for the federal funds rate at 1.00%-1.25%. While noting that the labor market has continued to strengthen and that economic activity has been rising at a solid rate despite hurricane-related disruptions, inflation for items other than food and energy has remained

## Key Dates/Data Releases

11/7: JOLTS

11/10: Treasury budget

soft. Nevertheless, a December rate hike is considered likely.

- The labor sector added 261,000 new jobs in October, and the unemployment rate edged down 0.1% to 4.1%. Employment in food services and drinking places increased sharply, mostly offsetting a decline in September that largely reflected the impact of hurricanes Irma and Harvey. In October, job gains also occurred in professional and business services, manufacturing, and health care. The average workweek was unchanged at 34.4 hours. Average hourly earnings fell \$0.01 to \$26.53 after climbing \$0.12 in September. Over the past 12 months, average hourly earnings have increased by \$0.63, or 2.4%.
- The international trade deficit for goods and services increased by \$0.7 billion in September to \$43.5 billion. September exports were \$196.8 billion, \$2.1 billion more than August exports. September imports were \$240.3 billion, \$2.8 billion more than August imports.
- According to IHS Markit, October saw the manufacturing sector grow at the fastest pace since the beginning of the year. The IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 54.6 in October, up from 53.1 in September. Purchasing managers noted improvements in manufacturing output and new orders, while export sales increased at the quickest pace since August 2016.
- On the other hand, the Institute for Supply Management's purchasing managers survey had the October purchasing managers index fall 2.1 percentage points to 58.7, which still indicates growth in the manufacturing sector, but at a slightly slower pace than in September. Unlike Markit's report, new orders and production dropped in October, according to the ISM® survey.
- Business in the non-manufacturing (services) sector grew in October, according to the Institute for Supply Management. The NMI® registered 60.1%, which is the highest reading since the index debut in 2008.
- Consumer confidence reached its highest level in almost 17 years in October, according to The Conference Board's Consumer Confidence Survey®. Boosted by what is perceived as a strong jobs market and improving business conditions, consumers expressed confidence in the present economy while expecting it to improve in the near term.
- In the week ended October 28, the advance figure for initial claims for unemployment insurance was 229,000, a decrease of 5,000 from the previous week's level, which was revised up by 1,000. The advance insured unemployment rate remained 1.3%. The advance number of those receiving unemployment insurance benefits during the week ended October 21 was 1,884,000, a decrease of 15,000 from the previous week's level, which was revised up 6,000. This remains the lowest level for insured unemployment since December 29, 1973, when it was 1,805,000.

## Eye on the Week Ahead

This week is a relatively slow one for economic news. Third-quarter earnings reports are still filtering in, helping to push stocks higher. However, the impact (if any) on the market from the first indictments out of special counsel Robert Mueller's investigation is still playing out. Last week's FOMC decision to maintain short-term interest rates may nudge investors toward equities.

*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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