



# INCISIVE INVESTOR

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## WEEK IN REVIEW: DOW INDUSTRIALS HIT HISTORIC 20,000 LEVEL

### Review of the week ended January 27, 2017

- **Dow tops 20,000, broader indices set records**
- **US Q4 growth slowed**
- **Busy first week for new administration**
- **Court rules UK Parliament must vote on Brexit**
- **Japan posts first trade surplus in six years**

U.S. stocks closed mostly lower on Friday after a monumental week that pushed the Dow Jones Industrial Average above 20,000 for the first time in its 120 year history as investors weighed disappointing fourth-quarter data on domestic economic growth and a spate of earnings.

The Dow Jones Industrial Average ended at 20,093.78, after rising on Thursday to close above the 20,000 level for a second straight day. The blue-chip index rose 1.3% for the week. The S&P 500 index finished at 2,294.69, for a weekly gain of 1%. The Nasdaq Composite Index edged up to close at 5,660.78, up 1.9% during the week. Each index set records during the week.

For the week, West Texas Intermediate crude edged up to \$53.10 per barrel from \$52.40, and Global Brent crude remained unchanged at \$55.40. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), fell to 10.8 from 12.4 last week. US 10-year-note yields rose to 2.50% from 2.42%

a week ago.

### **US economy in fourth quarter showed slowing down signs**

After getting a major lift from a surge in US soybean exports in Q3, US economic growth slackened to an annualized pace of 1.9% in Q4 from the 3.5% reading in Q3. One bright spot in Friday's US data releases was a third straight month of improved capital expenditures. Capex has been particularly sluggish in recent years, and an upturn in capital investment could contribute to better corporate profits down the road.

### **Trump getting down to business**

The Trump administration took a series of executive actions in its first week in office including approving the long-stalled Keystone XL and Dakota Access pipelines. President Trump met with the CEOs of several manufacturing companies, including the Big Three automakers, and encouraged them to build new plants in the United States. Trump

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also met with union leaders. The administration also announced it will nominate a replacement for Supreme Court justice Antonin Scalia on 2 February. Foreign trade, much discussed by candidate Trump, remains a major focus, with the new president this week threatening a 20% tax on Mexican imports.

## GLOBAL NEWS

### **UK high court says Parliament must have say on Brexit**

The United Kingdom's 12-person Supreme Court ruled this week that parliament must vote to initiate the triggering of Article 50. Prime Minister Theresa May has said the ruling will not slow down the Brexit process and that Article 50 is on track to be triggered in late March. On Friday, the prime minister became the first foreign leader to meet with President Trump, discussing a post-Brexit trade pact with the US.

### **Japanese trade boosted by a weakening yen**

A weakening yen and strong US auto sales in

2016 help boost Japan's trade balance into surplus for the first time in six years. Japan posted at \$60 billion surplus with the US, 40% of which was derived from sales of autos and auto parts. Its global surplus was \$36 billion. Helped by the weaker yen late in 2016, exports rose in December for the first time in 15 months, according to Ministry of Finance data. Meanwhile, Japanese inflation remains well below target, with core consumer prices falling 0.2% in December, the 10th consecutive monthly decline.

### **Canada to set to lookout for itself on NAFTA**

While the Canadian government has not taken any final decisions on how it will approach the renegotiation of the North American Free Trade Agreement, sources told Reuters this week that Canada will look after its own interests first and allow Mexico to fend for itself. Unnamed officials told the news wire that Mexico is in a much worse bargaining position than Canada, so that it would not make sense to create a joint front against the US.

## THE WEEK AHEAD

- **Markets in China remain closed for the lunar new year on Monday, January 30 and Tuesday, January 31**
- **Manufacturing purchasing managers' indices are released globally on Wednesday, February 1**
- **The Bank of England holds a rate-setting meeting on Thursday, February 2**
- **Service sector PMIs are released globally on Friday, February 3**
- **The US releases its January employment report on Friday, February 3**