



# INCISIVE INVESTOR

Randall Fielder, President & CEO

16225 Park Ten Place Suite 500; Houston, TX 77084

713-955-3555 ; randall@park10financial.com

www.park10financial.com

## WEEK IN REVIEW: YELLEN CLEARS PATH FOR DECEMBER RATE HIKE

### Review of the week ended November 18, 2016

- **Yellen: Possible rate hike approaching soon**
- **SEC chair Mary Jo White steps down**
- **Trump appoints his first staff**
- **Retail sales leap upward in US and UK**
- **BOJ interrupts Japanese government bond**

Global equities rose this week on continued hopes that a more relaxed US fiscal policy will vitalize the pace of global economic growth. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX) fell to 13.2 from 15.5 a week ago. Oil prices rose slightly ahead of a meeting between Saudi and Russian oil ministers, who are trying to broker a production cut. West Texas Intermediate crude rose to \$45.30 from \$43.90 a week ago. Yields on the 10-year US Treasury note rose to 2.29% from 2.14% last week on continued concerns that with the economy approaching full employment US fiscal stimulus could prove inflationary.

### **GLOBAL NEWS**

#### **Yellen: An improved economy means possible rate hike relatively soon**

US Federal Reserve Board chair Janet

Yellen told the Joint Economic Committee of the US Congress that the economy is making very good progress and that a hike in interest rates could come relatively soon. Markets have fully priced in a 25 basis point hike in the federal funds rate target at the next Federal Open Market Committee (FOMC) meeting in December. White mentions that the results of the US presidential election have not altered the Fed's assessment.

#### **Trump plans to reshape SEC as Mary Jo White steps down**

With the resignation of Chair Mary Jo White, the five-member US Securities and Exchange Commission will be down to just two members in the final weeks of the Obama administration. One Democrat and one Republican will remain, providing the Trump administration the opportunity to reshape the commission to its liking.

## **Trump team beginning to fall into shape**

President-elect Donald Trump has begun to staff his cabinet and senior appointments. Alabama senator Jeff Sessions (R. Ala.) will serve as attorney general, if confirmed by the Senate. Reince Priebus has been appointed White House chief of staff, while Lt. Gen. Michael Flynn will serve as national security advisor. California congressman Mike Pompeo will head the Central Intelligence Agency.

## **Retail sales strong in US and UK**

Merchants in the US and UK reported a small increase in retail sales in October. The US reported a 0.8% rise in sales, while September sales were revised upward to 1%. The strong data favors a December rate increase. In the UK, October sales rose 1.9%. In a further sign of US economic growth, housing starts surged to a nine-year high in October, jumping 25.5%.

## **Bank of Japan responds to Japanese government bond sales of assets**

The BOJ was able to halt a slide in Japanese government bonds this week without actually having to make any

purchases. In late September, the BOJ shifted policy to target the 10-year JGB yield at 0%. In the wake of the election of Donald Trump, global bond yields surge, putting the BOJ policy to the test for the first time. The central bank announced two fixed-rate operations, one in two-year debt and one in five-year debt, but they drew no bids. Ten-year JGB yields sank back toward 0% from 0.035% without the BOJ having to spend a yen, a successful first test of the new policy.

## **GLOBAL NEWS**

### **VW unveils a return plan**

Volkswagen has announced a plan to attempt to return the company to profitability after suffering a hit following the recent diesel emissions scandal. The company will lay off upwards of 30,000 employees worldwide in order to save €3.7 billion annually through 2020.

### **Reynolds American rejects British overture**

US tobacco giant Reynolds American has rejected a \$47 billion takeover bid by British American Tobacco. The offer was too low, according to Bloomberg News.

## **THE WEEK AHEAD**

- **US existing home sales data are released on Tuesday, 22 November**
- **Global flash purchasing managers' indices are released on Wednesday, 23 November**
- **The minutes of the November meeting of the FOMC are released on Wednesday, 23 November**
- **US markets are closed for Thanksgiving on Thursday, 24 November**
- **Germany reports Q3 gross domestic product data on Thursday, 24 November**