



INCISIVE INVESTOR

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WEEK IN REVIEW: EYES LOCKED ON FED AS YELLEN TESTIFIES

Review of the week ended July 14, 2017

- **Fed chair briefs Congress on monetary policy**
- **China inflation runs low**
- **G-20 summit concludes**
- **Bank of Canada raises rates**
- **US retail sales miss mark**

U.S. stocks close higher Friday despite sharp losses in the financials sector following a mixed batch of corporate results from some of the nation's biggest banks and poor data on retail-sales and inflation, which led market participants to believe the Federal Reserve is firmly back into a dovish frame of mind.

U.S. stocks closed higher on Friday, with several indexes posting all-time records, led by large gains in the tech sector. This was despite a mixed batch of second-quarter earnings from three major banks weighing on equities. The Dow Jones Industrial Average was up 0.4%, a record high. The Nasdaq Composite Index was up 0.6%, its second highest reading ever. The S&P 500 was up 0.5%, notching a fresh all-time high since June 19. Technology stocks posted large gains, with Apple up 0.9% and Nvidia Corp up 2.7%. On the other hand, banks

were the big losers, with J.P. Morgan slipping 0.8% after reporting a sharp fall in trading revenue. J.P. Morgan Chase & Co. , Citigroup Inc. , and Wells Fargo & Co. all posted results on Friday, with the three nonetheless topping expectations. For the week, the Dow was up 1% while the S&P was up 1.4% and the Nasdaq was up 2.6%. Weak retail sales and inflation numbers also raised the prospect of dovish policy from the Fed, which is bullish for stocks.

Global equities moved up this week with solid gains. The yield on the US 10-year Treasury note faded seven basis points on the week, to 2.32%, while the price of West Texas Intermediate crude oil moved up to \$46.35 a barrel from \$44.50 a week ago. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), dropped to 9.89 from 11.75 last week.

Yellen testifies on Capitol Hill

US Federal Reserve chair Janet Yellen testified on monetary policy before the House Financial Services Committee this week as markets continued to take in the Fed's recently announced balance sheet reduction plans. Chair Yellen echoed that the Fed expects a tightening labor market to lead to increased inflation, despite the recent weak inflation data. She added, however, that the Fed may change direction from its policy plans if needed. Last month, the central bank raised rates for the third time since December 2016.

Inflation in China running Low

China's consumer price index was reported at 1.5%, missing a 3% target. Its producer price index was reported at 5.5%, which was in line with expectations. Noteworthy however, is that the slowdown in inflation is consistent with the slowdown in inflation in the US and many other countries. It is occurring as policymakers in the US, Canada and Eurozone are all moving, or indicating that they will move, away from the low-interest-rate environment of recent years.

G-20 summit of leaders conclude

The G-20 summit of leaders of major economies concluded in Hamburg,

Germany this week after discussions on wide-ranging topics, including trade, climate change and immigration policy. Many leaders attending the summit appeared at odds with US President Donald Trump, particularly over trade policy and climate change. Japan and the European Union signed the Japan-EU Economic Partnership Agreement after several years of negotiation.

Bank of Canada raises its rates

The Bank of Canada raised rates by a quarter of a percentage point to .75% while suggesting that monetary policy will remain accommodative for the near future. A concerning point is the stability of the housing market, where prices have risen speedily in recent years, particularly in areas such as Toronto and Vancouver, where prices have doubled since 2009.

US retail sales miss the mark

Headline retail sales were down .2% month over month, with six of the 16 categories falling into the negative. Department stores in particular were adversely affected, falling .7% after a similar drop in May. The recent drop in sales and subsequent selloff in retail stocks has attracted the interest of professional investors in search of a bargain.

THE WEEK AHEAD

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| • Monday, 17 July | Eurozone | Consumer price index |
| • Wednesday, 19 July | Japan | Japan Policy rate |
| • Wednesday, 19 July | US | Housing starts |
| • Thursday, 20 July | US | Continuing jobless claims |
| • Thursday, 20 July | Eurozone | Flash consumer confidence indicator |
| • Thursday, 22 July | UK | Retail sales |
| • Friday, 21 July | Canada | Consumer price index |

SMALL WAYS TO SAVE FOR RETIREMENT

It's easy to make small changes that will make a big difference in your retirement savings

- **Create a budget.** Most people think creating a budget means they'll be in a "financial straitjacket. They think a budget means deprivation, they should look at it as a spending plan of action. A budget helps you set priorities so you can become more focused and save for your goals, she says. Some people are overwhelmed by the idea of trying to save more because they have so many bills and other expenses, Sometimes people say they can't afford to save, but really, you can't afford not to save.
- **Cut spending without feeling deprived.** Eliminate the things you won't really miss so you don't feel like you're going into a severely restricted mode. You might stop eating lunch out daily or cancel some cable TV channels that you don't watch. If you make one change in how you spend your money today, however small it may seem, you can make a difference in your retirement savings. When you combine several seemingly small changes, they can add up to make a big difference in your retirement savings over time.
- **Don't make minimum payments on credit card debt.** It's a complete financial trap. Minimum payments in the short run mean maximum payments in the long run. It means so much more money in interest. Instead, double and triple the minimum payments.
- **Negotiate better interest rates on your credit cards.** Don't be afraid to call your credit card company. It's a competitive market, which means you have leverage.

For more ways to improve your retirement, contact:

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