



INCISIVE INVESTOR

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WEEK IN REVIEW: TRUMP TRIUMPHS, STOCKS AND YIELDS RISE

Review of the week ended November 11, 2016

- **Anticipation for fiscal incentive sparks stimulation trade**
- **Canadian PM open to the renegotiation of NAFTA with Trump**
- **China reports that the October trade figures were weak, replaces finance minister**
- **Oil price forecasts are lowered**
- **Record lows for Turkish lira**

For the week, the Dow gained 5.6% for the week in its largest weekly gain since December 2011, the S&P 500 jumped 3.8% in its largest weekly gain since October 2014. The Nasdaq rose 3.8% in its biggest weekly rise since February.

Global equities rose this week as markets welcomed the prospect of US fiscal stimulus in the wake of Donald Trump's election. Infrastructure, financial and pharmaceutical stocks were among the best performers. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), fell to 15.5 after the election outcome became clear from 21.5 a week ago. Oil prices stabilized at lower levels amid continued concerns over a potential oversupply as fresh production comes online from non-OPEC producers.

West Texas Intermediate crude fell to \$43.90 from \$44.00 a week ago. Yields on the 10-year US Treasury note soared to 2.14% this week from 1.82% last Friday on prospects for fiscal stimulus and a likely change in Federal Reserve leadership.

GLOBAL NEWS

Canadian PM in talks with NAFTA and Mexico

Justin Trudeau, Canada's prime minister, said that he is open to renegotiate the North American Free Trade Agreement with the United States once President-elect Trump takes office in January. Canada and the US have the largest trading relationship in the world. Nearly USD 600 billion in goods crossed the border in 2015, according to the US Census Bureau.

Mexico's foreign minister, Claudia Ruiz Massieu, said that there is an opportunity to "modernize"— though not necessarily renegotiate — NAFTA for the benefit of the US, Canada and Mexico.

China's trade data is quiet

While survey data like purchasing managers' guides have been upbeat of late, Chinese trade data remained muted in October, suggesting that global demand remains subdued. Exports fell 7.3% last month, while imports fell 1.4%.

Dim outlook for Oil prices

OPEC's new World Oil Outlook predicts that crude prices will not top \$60 per barrel until the end of the decade, \$20 per barrel below its decade-end forecast from a year ago. OPEC's reference basket price will average \$40 per barrel in 2016, according to the report. In a separate report, the International Energy Agency increased its estimate for oil production by non-OPEC producers to nearly 500,000 barrels a day on gushing production in Russia, Brazil and Kazakhstan. "This means

that 2017 could be another year of relentless global supply growth similar to that seen in 2016," the agency said. While oil prices remained subdued this week, prices for industrial metals rose sharply in anticipation of ramped up infrastructure spending under a Trump administration.

CORPORATE NEWS

Trump likely lightens US regulatory burden

If President-elect Trump keeps his campaign promises, expect a lighter regulatory touch from the US federal government. The Dodd-Frank financial system overhaul has yet to be fully implemented years after the financial crisis, and may never be, if Trump gets his way. Moreover, analysts expect only pieces of the bill to be repealed, rather than the entire package of reforms. Environmental Protection Agency rules impacting coal-fueled power plants could be watered down. The pharmaceutical industry will likely not face the price control measures that Hillary Clinton championed on the campaign trail.

THE WEEK AHEAD

- **Japan reports Q3 gross domestic product on Monday, November 14**
- **China releases retail sales and industrial production data on Monday, November 14**
- **The United Kingdom releases its consumer price index on Tuesday, November 15**
- **Q3 eurozone GDP is reported on Tuesday, November 15**
- **October US retail sales data are reported on Tuesday, November 15**
- **US industrial production data reports for October on Wednesday, November 16**
- **The European Central Bank's Governing Council releases the minutes of the October meeting on Thursday, November 17**