



INCISIVE INVESTOR

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WEEK IN REVIEW: OIL AND GOLD GAIN, STOCKS LOSE

Review of the week ended May 19, 2017

- **Stocks gained on Friday but down for the week**
- **Gold moves higher due to stocks volatility**
- **Special counsel appointed in Russia probe**
- **Merkel's prospects bright after state elections**
- **Corruption scandal touches Brazil's president**

U.S. stocks rose Friday for two sessions in row as a rally in industrials and energy sectors supported a broad market gain. However, the S&P 500 and the Dow Jones Industrial Average fell for a second straight week amid ongoing political uncertainty in the wake of President Donald Trump's controversial firing of Federal Bureau of Investigation Director James Comey. The S&P 500 closed at 2,381 while the Dow Jones Industrial Average ended at 20,804. Both indexes fell 0.4% for the week. The Nasdaq Composite Index closed at 6,083, logging a weekly drop of 0.6%.

Gold prices edged higher Friday to post their largest weekly gain since mid-April, as overall declines in the U.S. dollar and equities from a week ago fed haven demand for bullion. The precious metal scored a roughly 2.1% advance for a week, marked by rising volatility and political unrest in the White House. That was the largest such gain since the week ended April 13. June gold tacked on 80 cents Friday to close at \$1,253.60 an ounce.

There was a good bit of volatility midweek as political chaos intensified in Washington. The yield on the 10-year US Treasury note fell to 2.25% from 2.34% a week earlier while West Texas Intermediate crude oil rose to \$50.30 a barrel from \$47.50 last week amid signs OPEC and major producers such as Russia will retain output curbs through March of 2018. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), jumped as high as 15.50 at midweek before slipping to 11.90 on Friday. The week began at a placid 10.80.

Trump heads overseas as pressure builds at home

US president Donald Trump embarked on his first overseas trip as president today, leaving behind a swirl of controversy in Washington. Trump will visit Saudi Arabia, Israel and the Vatican before a stop in Sicily for the G7 summit. On Wednesday, the US Department of Justice appointed former FBI director Robert Mueller as special counsel to investigate

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Russia's intervention in the 2016 presidential ambassador during an Oval Office visit last week added to the firestorm.

EARNINGS NEWS

As of May 17th, with 458 companies in the S&P 500 Index having reported, Q1 earnings are expected to increase 15% from a year ago. Excluding energy, earnings are seen growing 10.7%. Revenues growth is estimated at 7.2%, falling to 5.3% ex energy.

GLOBAL NEWS

Merkel's party looking strong

German chancellor Angela Merkel's party, the Christian Democratic Union, has performed extremely well in German state elections in recent months. This potentially paves the way for Merkel to retain her post when Germany holds federal elections in late September. The CDU won the regional vote in Germany's most populous state, North Rhine-Westphalia, last weekend, unseating the Social Democrats in state elections for the third time since March. Earlier concerns over Merkel's unpopular

immigration stance appear to have faded amid a solid German economic recovery.

Brazil's Supreme Court orders Temer bribery investigation

Brazilian president Michel Temer, who came to office after the impeachment and removal from office of his predecessor, Dilma Rousseff, was placed under investigation by the nation's Supreme Court this week after allegations surfaced that Temer was taped condoning the bribery of a witness in a major corruption scandal. Temer, in a nationwide address, vowed not to resign, saying he did not buy anyone's silence. In the wake of the allegations, stocks and the Brazilian real both plunged on fears the recent economic rebound could stall amid fresh political uncertainty.

Japan's growth picking up

Japan's economy grew 2.2% in the first quarter of the year, its fifth straight quarter of growth, the longest string of gains in over a decade. Exports and domestic demand were both solid.

THE WEEK AHEAD

- **Flash manufacturing purchasing managers' indices are released globally on Tuesday, May 23**
- **The Bank of Canada meets to set interest rates on Wednesday, May 24**
- **The minutes of the US Federal Reserve's Federal Open Market Committee meeting are released on Wednesday, May 24**
- **Preliminary UK gross domestic product data are released on Thursday, May 25**
- **Preliminary US GDP data and durable goods orders are reported on Friday, May 26**
- **The G7 summit begins in Taormina, Sicily, on Friday, May 26**