



# INCISIVE INVESTOR

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## WEEK IN REVIEW: S&P 500, NASDAQ CLOSE AT RECORD LEVELS

### Review of the week ended May 5, 2017

- **Stocks higher at record levels**
- **Payroll rebound boosts June Fed rate hike chances**
- **Macron poised to win French presidential election**
- **European growth picks up**

U.S. stocks finished higher Friday and for the week with the Nasdaq and the S&P 500 closing at records as investors weighed a stronger-than-expected April employment report against uncertainty of the outcome of the French presidential election on Sunday.

The S&P 500 index finished up at 2,399.29, its first record close since March 1. Nine of the 11 main sectors finished higher, led by gains in energy, telecom and materials. Financials and health-care stocks edged fractionally lower.

The Nasdaq Composite Index also saw a record finish to end at 6,100.76.

The Dow Jones Industrial Average advanced 0.3%, to close at 21,006.94, its first close above the 21,000 mark since early March. A 27-point drag came from shares of International Business Machines Corp. which finished down 2.5% following news that Warren Buffett's Berkshire Hathaway sold about a third of its stake.

All three benchmarks notched weekly gains with the Dow up 0.3%, the S&P 500 up 0.6%,

and the Nasdaq rising 0.9%.

Global equities extended their gains this week against a backdrop of improved economic growth, particularly in Europe. Slumping commodity prices may prove worrisome down the road, however, with the price of West Texas Intermediate crude falling to nearly a six-month low, ending the week near \$45.50, down from \$49.00 last Friday. The yield on the US 10-year Treasury note rose modestly, to 2.35%, up 4 basis points on the week. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), held steady near 10.

### **Nonfarm payrolls rebound**

Friday's US employment report was fairly upbeat, with 211,000 added to payrolls in April versus a downwardly revised 79,000 in March. The unemployment rate fell to a 4.4%, a 10-year low, though average hourly earnings were restrained, rising a less-than-expected 2.5%. The report paves the way for likely rate hikes from the US Federal Reserve at its June meeting. The Fed earlier this week held rates

steady but said weakness in the US economy in the first quarter was likely transitory.

## **Health care reform bill emerges from US House**

After months of Republican infighting, a bill to repeal and replace Obamacare emerged from the US House of Representatives this week. The bill will likely face a stiff challenge in the Senate, where lawmakers will attempt to fashion a bill under the so-called reconciliation rule that won't require 60 votes for consideration. A Senate vote on the measure is expected to be some months away.

## **Largest-ever US municipal bankruptcy for Puerto Rico**

Puerto Rico filed for a form of bankruptcy this week. The territory is weighed down by approximately \$75 billion in debt, making the filing the largest in US history. Detroit's \$9 billion filing held the previous record. A decade-long recession, a shrinking population and a dramatically underfunded pension system forced the territory to seek protection from creditors.

## **GLOBAL NEWS**

### **Macron holds formidable lead ahead of Sunday's vote**

Thirty-nine-year-old centrist Emmanuel Macron, seeking elective office for the first time, looks poised to win the French presidency on Sunday. He leads right-wing populist Marine Le Pen by an average of 20 points in opinion polls. The same polls proved quite accurate in the election's first round, and showed that Macron bested Le Pen in Wednesday's head-to-head debate. If Macron wins, as expected, two-round parliamentary elections in June will be critical for his fledgling En Marche! party, which will have to cobble together a working majority to allow Macron to govern effectively.

### **European economy kicks into gear**

Economic growth in the Eurozone grew at an annualized pace of 1.8% in the first quarter of 2017, outstripping US growth, which was an anemic 0.7% annualized rate over the same period. Purchasing managers' indices reported this week suggest that European growth might be accelerating further.

## THE WEEK AHEAD

- **The French presidential election takes place on Sunday, May 7**
- **China reports foreign exchange reserves on Sunday, May 7**
- **China reports its trade balance on Monday, May 8**
- **ECB president Mario Draghi addresses the Dutch parliament on Wednesday, May 10**
- **The Bank of England meets to set interest rates on Thursday, May 11**
- **The US reports retail sales and its Consumer Price Index on Friday, May 12**