



INCISIVE INVESTOR

Randall Fielder, President & CEO

1400 Broadfield Blvd. Suite 200; Houston, TX 77084

713-955-3555; info@park10financial.com

www.park10financial.com

WEEK IN REVIEW: RECORD CLOSE FOR MEMORIAL DAY WEEKEND

Review of the week ended May 26, 2017

- **US stocks set fresh records**
- **US Q1 GDP revised up to 1.2% from 0.7%**
- **China downgraded by Moody's**
- **UK on highest alert after Manchester attack**
- **EU says UK must honor commitments**

The tech-heavy Nasdaq and the S&P 500 closed at records Friday as stocks finished higher for the week ahead of the Memorial Day holiday. The S&P 500 index finished up at a record 2,415.82, led by gains in the consumer-staples and consumer-discretionary sectors. The Nasdaq Composite Index closed up at a record 6,210.19. Both benchmarks finished with a seventh day of gains. The Dow Jones Industrial Average declined to close at 21,080.28, less than 40 points shy of its March 1 closing record. For the week, the Dow finished up 1.3% and the S&P 500 gained 1.4%, both snapping a two-week streak of finishing lower, while the Nasdaq advanced 2.1%.

Friday marked the 20th record of the year for the S&P 500, surpassing the number of records set by the index in 2016. Double-digit gains in large technology names have been among Wall Street's biggest catalysts this year. The Nasdaq, meanwhile, has rung up 35 record closes in 2017.

The yield on the 10-year US Treasury note

remained essentially unchanged at 2.24% while oil prices dipped. West Texas Intermediate crude fell to \$48.95 a barrel from \$50.30 a week ago as OPEC extended its output cap for another nine months. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), slipped to 10.30 from 10.80 last Friday. Gold prices settled up at \$1,268.10 an ounce, for a 1.2% weekly gain.

Growth in US revised up

The second look at first-quarter growth in the United States was somewhat brighter than the first. Gross domestic product expanded at an annual rate of 1.2%, according to the Bureau of Economic Analysis, up from an initial 0.7% reading. After revisions, consumer spending was a bit stronger than the initial report, though capital expenditures were less robust.

In other economic data releases, orders for durable goods fell to a five-month low in April though the decline was slightly narrower than had been expected. The University of

Michigan's read on consumer sentiment came in at 97.1 in May. "The data was a little better than expected, especially on the consumer side, but this isn't anything to change the outlook," said one senior portfolio manager at Penn Capital Management.

EARNINGS NEWS

With 477 of the S&P 500 companies having reported for Q1, earnings are expected to increase 15.3% compared with Q1 2016, according to Lipper. Stripping out the energy sector, earnings are expected to rise 11%. Revenue growth is seen up 7.3% versus a year ago, and up 5.4% ex energy.

GLOBAL NEWS

Cut in China's credit rating

For the first time in nearly three decades, Moody's has downgraded China's sovereign credit rating. The rating now stands at A1, with a stable outlook. Moody's cited rising liabilities and weakening financial strength as reasons for the cut. China's finance ministry dismissed

the move as "groundless."

Terror threat level raised in UK

Following an attack outside an arena in Manchester that killed 22 and injured scores more Monday, British prime minister Theresa May put the country on its highest alert level, warning of the potential for an imminent follow-on attack. The general election campaign was suspended, but was expected to resume on May 26th. In the wake of the attack the prime minister will cut short her participation in the G7 summit in Sicily this weekend.

Brexit talks bring heated words

Officials from the European Union and the United Kingdom are scheduled on June 19th to commence negotiations on the UK's exit from the European Union. Both sides are setting out fairly extreme positions in advance of the talks. The EU continues to float exit bill figures as large as €100 billion while the UK has said it may owe nothing.

THE WEEK AHEAD

- **G7 leaders meet in Sicily on Saturday, May 27**
- **Markets in the US and UK are closed for Memorial Day and the spring bank holiday on Monday, May 29**
- **ECB president Mario Draghi testifies before the European Parliament on Monday, May 29**
- **China reports purchasing managers' indices on Wednesday, May 31**
- **Eurozone unemployment data are reported on Wednesday, May 31**
- **Manufacturing PMIs are released globally on Thursday, June 1**
- **The May US employment report is released on Friday, June 2**