



INCISIVE INVESTOR

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WEEK IN REVIEW: DOW & NASDAQ SCORE ANOTHER RECORD

Review of the week ended February 17, 2017

- **Upbeat US data fuel growth, inflation hopes**
- **Yellen: Risky to wait too long to raise rates**
- **Mnuchin confirmed as US Treasury Secretary**
- **Greek bailout deadline in doubt**

U.S. stocks finished higher for the week Friday as the Dow industrials extended its streak of record closes to seven sessions. The Dow Jones Industrial Average finished at 20,624.05 for a weekly gain of 1.8%. The S&P 500 index closed at 2,351.16, with telecom and consumer-staples stocks leading the index higher. For the week, the S&P 500 closed up 1.5%. The Nasdaq Composite index finished up with a 1.8% gain on the week. Equities continued their advance on increasing evidence of improved US economic growth and rebounding inflation. Bond yields held steady. Despite the strong data, the yield on the 10-year US Treasury note fell to 2.415% from 2.43% a week ago. Oil prices dipped, with West Texas Intermediate crude at \$53.50 a barrel versus \$54.10 last week and global Brent falling to \$55.60 from \$57.10. Volatility, as measured by the Chicago Board Options Exchange Volatility

Index (VIX), edged up to 12 from 10.9.

US economy shows signs of strength

After a run of strong economic data from the United States, hopes intensified this week that the reflationary period underway since late 2016 would prove more durable than the four prior upturns during the current business cycle, which began in early 2009. January retail sales were a major bright spot, rising a better-than-expected 0.4%, while December sales were revised up 1% versus a previously reported 0.6% advance. Firmer consumer prices at both the headline and core level, buoyant manufacturing output and upbeat regional Fed manufacturing surveys—particularly the Philadelphia Fed's manufacturing index — which soared to a 33-year high — added to investor optimism.

Fed's Yellen Reiterates Case for Rate Hikes

After a string of strong economic reports, markets expect the US Federal Reserve to hike rates in the first half of 2017, perhaps as soon as next month's meeting of the Fed's rate-setting committee. In congressional testimony this week, Chair Janet Yellen said that it would be risky to wait too long to raise interest rates and that the committee would consider hiking rates in coming meetings. Yellen holds press conferences once per quarter, and the two rate hikes this cycle have both come at meetings that were followed by press briefings. Her next press conference is scheduled for 15 March, with another on 14 June.

Mnuchin Confirmed as Treasury Pick

US president Donald Trump's pick for treasury secretary, Steven Mnuchin, was confirmed by the US Senate this week and

sworn into office shortly thereafter. Tax reform is expected to be Mnuchin's early focus with Trump unveiling his tax reform package in the next few weeks.

GLOBAL NEWS

Greek Bailout Lenders at Loggerheads

The International Monetary Fund and Eurozone finance ministers remain at odds over the direction of the Greek bailout process. The two sides hope to iron out a deal early next week to allow the IMF to release €7 billion in aid to Greece ahead of European elections, which kick off next month. The creditors hope to keep Greece from becoming a campaign issue in elections in the Netherlands in March and in France in April and May for fear that the matter could further fuel an anti-European Union populist backlash. IMF and Euro group finance ministers have been unable to reach agreement on the IMF's proposal to grant Greece some level of debt relief.

THE WEEK AHEAD

- **US markets are closed for President's Day on Monday, February 20**
- **China reports trade data on Tuesday, February 21**
- **Flash purchasing managers' indices are released globally on Tuesday, February 21**
- **Eurozone consumer price data is reported on Wednesday, February 22**
- **UK Q4 gross domestic product are reported on Wednesday, February 22**
- **US existing home sales data are released on Wednesday, February 22**