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# Market Week: May 8, 2017

## The Markets (as of market close May 5, 2017)

Both the S&P 500 and Nasdaq reached record highs last week as most of the benchmark indexes listed here posted solid gains. Only the Russell 2000 ended last week in negative territory, falling almost a quarter of a point. While the economic news last week was mixed, a strong labor report was apparently enough to offset stagnant price and wage gains in April. While the Fed didn't see enough economic growth to raise interest rates, the Committee expects the economy to continue to strengthen over time. Prices fell for 10-year Treasuries, pushing yields higher. Overall, equities performed fairly well, despite falling oil prices and the petition of Puerto Rico for federal relief from its $51 billion debt, which would be the largest restructuring of municipal debt in U.S. history.

The price of crude oil (WTI) fell for the third straight week, closing at $46.47 per barrel, down from the prior week's closing price of $49.19 per barrel. The price of gold (COMEX) also dropped, closing at $1,228.40 by late Friday afternoon, down from the prior week's price of $1,269.50. The national average retail regular gasoline price decreased to $2.411 per gallon on May 1, 2017, $0.038 less than the prior week's price but $0.171 more than a year ago.

| Market/Index | 2016 Close | Prior Week | As of 5/5 | Weekly Change | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 19762.60 | 20940.51 | 21006.94 | 0.32% | 6.30% |
| **Nasdaq** | 5383.12 | 6047.61 | 6100.76 | 0.88% | 13.33% |
| **S&P 500** | 2238.83 | 2384.20 | 2399.29 | 0.63% | 7.17% |
| **Russell 2000** | 1357.13 | 1400.43 | 1397.00 | -0.24% | 2.94% |
| **Global Dow** | 2528.21 | 2731.15 | 2754.32 | 0.85% | 8.94% |
| **Fed. Funds target rate** | 0.50%-0.75% | 0.75%-1.00% | 0.75%-1.00% | 0 bps | 25 bps |
| **10-year Treasuries** | 2.44% | 2.28% | 2.35% | 7 bps | -9 bps |

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Headlines

- The FOMC decided to maintain interest rates at their current level following its meeting last week. The Committee noted that, while the labor market has continued to strengthen and business fixed investment has firmed, household spending rose only modestly in March with consumer prices falling and inflation continuing to run somewhat below the Fed's 2.0% target rate. However, the Committee views the slowing in economic growth during the first quarter as likely to be transitory and expects that economic activity will expand at a moderate pace, labor market conditions will strengthen, and inflation will stabilize around 2.0%. The FOMC had earlier suggested that interest rates would be increased three times during the year. It may be backing off that timetable, as the actual path of the federal funds rate will depend on the economic outlook based on incoming data.

***Key Dates/Data Releases***

***5/9: JOLTS***

***5/10: Import and export prices, Treasury budget***

***5/11: Producer Price Index***

***5/12: Consumer Price Index, retail sales***

- The employment sector picked up the pace in April following a lackluster March as total employment increased by 211,000 for the month (79,000 in March). The unemployment rate ticked down 0.1 percentage point to 4.4%. Job gains occurred in leisure and hospitality, health care and social assistance, financial activities, and mining. Over the year, the unemployment rate has declined by 0.6 percentage point, and the number of unemployed has fallen by 854,000. The labor force participation rate was 62.9%, while the employment-population ratio came in at 60.2%. The average workweek increased by 0.1 hour to 34.4 hours in April. Average hourly earnings for the month rose by $0.07 to $26.19. Over the year, average hourly earnings have risen by $0.65, or 2.5%.
- Inflation receded in March as consumer spending noticeably slowed. According to the latest report from the Bureau of Labor Statistics, personal consumption expenditures (the value of goods and services purchased by consumers) was essentially stagnant in March compared to February. The PCE price index, which measures the change in prices of goods and services purchased by consumers, decreased 0.2% in March. The core PCE price index, which excludes food and energy prices, fell 0.1% — the weakest showing in over 16 years. Personal income rose for the month, but not appreciably. Wages and salaries posted a weak 0.1% increase.
- The Census Bureau reported that the goods and services deficit was $43.7 billion in March, down $0.1 billion from $43.8 billion in February, revised. March exports were $191.0 billion, $1.7 billion less than February exports. March imports were $234.7 billion, $1.7 billion less than February imports. Year-to-date, the goods and services deficit increased $9.4 billion, or 7.5%, from the same period in 2016. Exports increased $38.0 billion, or 7.1%. Imports increased $47.5 billion, or 7.1%.
- Purchasing managers noted a slowdown in manufacturing production in April, according to the latest data from the Markit U.S. Manufacturing PMI™. The final Purchasing Managers' Index™ registered 52.8 in April, down from 53.3 in March — the slowest improvement in overall business conditions since September 2016 (a reading of 50 or better indicates growth). The Institute for Supply Management's PMI registered 54.8%, a decrease of 2.4 percentage points from the March reading. Purchasing managers reported a decrease in new orders, employment, and prices. On the plus side of the report, production increased slightly in April over March.
- Economic activity in the non-manufacturing sector grew in April, according to the Non-Manufacturing ISM® Report On Business®. The non-manufacturing sector includes wholesale trade, utilities, arts and entertainment, mining, retail trade, health care, real estate, and accommodations and food. The Non-Manufacturing Index increased 2.3 percentage points to 57.5% in April compared to March. Business activity increased in April, as did new orders and prices. The Employment Index decreased 0.2 percentage point in April to 51.4%. Overall, the non-manufacturing sector showed renewed strength following a slowdown in March.
- In the week ended April 29, the advance figure for seasonally adjusted initial claims was 238,000, a decrease of 19,000 from the previous week's unrevised level of 257,000. The advance seasonally adjusted insured unemployment rate remained at 1.4% for the third consecutive week. The advance number for seasonally adjusted insured unemployment during the week ended April 22 was 1,964,000, a decrease of 23,000 from the previous week's revised level. This is the lowest level for insured unemployment since April 15, 2000, when it was 1,962,000.

## Eye on the Week Ahead

The pace of inflation slowed in March. How inflation trended in April will be revealed through this week's Consumer Price Index, Producer Price Index, and retail sales report.

*Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow*

*is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.*

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