



INCISIVE INVESTOR

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WEEK IN REVIEW: JOBS & WAGES UP, MARKETS & OIL DOWN

Review of the week ended November 4, 2016

- **October US payrolls rise 161,000, wages rise**
- **Fed paves way for December rate hike**
- **Polls tight as US election approaches**
- **Markets move lower for 9th straight day**
- **Global equities fell this week on risk aversion ahead of next Tuesday's US presidential election.**

U.S. stocks sank Friday, with the S&P 500 ending lower for a ninth straight session in the longest losing streak since December 1980. The Dow Jones Industrial Average slid to finish at 17,888.28 for a weekly drop of 1.5%. The Nasdaq Composite Index fell to end at 5,046.37, also marking a nine-day drop while closing out the week 2.8% lower.

Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX) jumped to 21.5 from 15.25 a week ago, reflecting pre-election jitters. Oil prices fell sharply this week on doubts that OPEC will be able to reach an agreement to limit production and on a large rise in US crude inventories. West Texas Intermediate crude fell to \$44.00 per barrel from \$49.25 a week ago with the U.S. benchmark posting a nearly 10%

weekly drop.

GLOBAL NEWS

Solid employment data

US nonfarm payrolls rose slightly less than expected in October, adding 161,000 new jobs, but upward revisions to the prior two months' data made up for any shortfall. Most important in today's report was a 2.7% year-over-year rise in average hourly earnings, the fastest pace since the global financial crisis.

Fed signals December hike likely

The Federal Open Market Committee left rates steady at its November meeting but hinted strongly that a hike is likely at the December meeting, saying the case for a rate hike has strengthened but deciding to wait for further evidence of continued progress toward its objectives. Between



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now and the December meeting, the committee will have time to digest the October and November employment reports as well as any market reaction to next week's US presidential election.

Presidential race is tightening

A turbulent election campaign comes to a close next Tuesday with opinion polls showing a close race. Hillary Clinton looks to have an easier time achieving the 270 electoral votes needed to win the White House than her opponent, Donald Trump, but Trump has largely closed a gap in the polls in recent days. Clinton clings to a 1.7% lead in the national polling average, according to RealClear Politics. Additionally, the battle for control of the US Senate looks to be very closely contested.

Higher inventories, fading hopes for production cut sink oil

The largest one-week build in inventories on record, combined with dwindling hopes that OPEC will put in place significant

production caps, helped push oil prices to their lowest levels in over a month. OPEC countries are finding it difficult to limit output as Iran, Iraq and Libya all bring production back on line.

CORPORATE NEWS

Gannett ends Tronc talks

Gannett, the publisher of USA Today and more than 100 local newspapers, ended talks to acquire Tronc, formerly Tribune Publishing, owner of the Los Angeles Times and the Chicago Tribune, among other dailies. Gannett said the deal's terms were not acceptable.

Starbucks Corp.'s shares rose almost 2% on Friday after their nice earnings report on Thursday.

GoPro Inc., the maker of cameras, fell 6.5% on Friday after a weaker-than-expected earnings report.

Monster Beverage Corp. also slid 3.6% on Friday after a disappointing earnings release.

THE WEEK AHEAD

- **Eurozone retail sales data are released on Monday, November 7**
- **The US general election takes place on Tuesday, November 8**
- **The European Commission updates its economic growth forecasts on Wednesday, November 9**
- **China releases new loans data on Friday, November 11**