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Market Week: May 15, 2017

The Markets (as of market close May 12, 2017)

Lackluster economic data (weak price gains and import prices that are outpacing export prices), coupled with some not-so-strong quarterly corporate earnings reports, kept trading down last week. Only the Nasdaq posted weekly gains as each of the benchmark indexes listed here lost ground against their respective prior week's values. The leading loser was the small-cap Russell 2000, which dropped over 1.0%. The yield on 10-year Treasuries fell slightly as prices crept higher. Despite last week's marginal tailspin, each of the indexes listed here are still well ahead of their 2016 closing values.

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 $2.372 per gallon on May 8, 2017, $0.039 less than the prior week's price but $0.152 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 5/12	Weekly Change	YTD Change
DJIA	19762.60	21006.94	20896.61	-0.53%	5.74%
Nasdaq	5383.12	6100.76	6121.23	0.34%	13.71%
S&P 500	2238.83	2399.29	2390.90	-0.35%	6.79%
Russell 2000	1357.13	1397.00	1382.77	-1.02%	1.89%
Global Dow	2528.21	2754.32	2745.02	-0.34%	8.58%
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%	2.35%	2.32%	-3 bps	-12 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

- Consumer prices increased 0.2% in April following a 0.3% decrease in March, according to the Bureau of Labor Statistics. For the 12 months ended in April, the Consumer Price Index rose 2.2%. The energy index rose 1.1% for the month, while prices increased in shelter, energy, tobacco, and food. However, prices fell in medical care, communications, and apparel. The index less food and energy rose a scant 0.1% in April after declining in March. While better than March, April's price gains are marginal at best and not in line with the Fed's expectations for steady price growth.
- Retail and food services sales in April increased 0.4% from the previous month, and 4.5% above April 2016. Gasoline stations sales were up 12.3% from April 2016, while nonstore retailers were up 11.9% (internet sales) from last year. Excluding automobile and gas, sales are up 0.3% in April over March.
- Wholesale prices climbed in April, as the Producer Price Index advanced 0.5% after edging down 0.1% in March, according to the U.S. Bureau of Labor Statistics. The PPI rose 2.5% for the 12 months ended

Key Dates/Data Releases

5/16: Housing starts, industrial production

April 2017 — the largest increase since moving up 2.8% for the 12 months ended February 2012. Almost two-thirds of the April advance in the index is attributable to prices for services, which moved up 0.4%. Prices for goods climbed 0.5%. Prices less foods, energy, and trade services increased 0.7% for the month and are up 2.1% for the 12 months ended in April.

- Not unexpectedly, the number of job openings was little changed at 5.743 million on the last day of March, according to the Job Openings and Labor Turnover (JOLTS) report. The number of openings exceeded the number of hires (5.260 million) by about 483,000. Over the month, hires and separations were also little changed at 5.3 million and 5.1 million, respectively. The job openings rate remained at 3.8% for the month. There were 5.1 million total separations in March, little changed from February. Over the 12 months ended in March, hires totaled 62.9 million and separations totaled 60.5 million, yielding a net employment gain of 2.3 million.
- The price index for U.S. imports advanced 0.5% in April after ticking up 0.1% the previous month, the Bureau of Labor Statistics reported. Export prices rose 0.2% in April following a 0.1% advance in March. Export prices have not recorded a monthly decline since the index fell 0.8% in August 2016. Prices for exports rose 3.0% over the past 12 months. The increase in export prices was driven by both agricultural and nonagricultural (e.g., automobiles, foods, feeds, and beverages) price increases. Import prices rose 0.5% in April and have not recorded a monthly decline since the index edged down 0.1% in November. Prices for imports rose 4.1% for the 12 months ended in April. Import prices were boosted by a 1.6% increase in fuel prices in April.
- According to the Treasury Department, the federal government realized a surplus of $182 billion in April — $76 billion more than the surplus in April 2016. Receipts in April were $455 billion, while total spending was $273 billion — $59 billion less than spending in April 2016. The budget deficit in March was $176 billion. For fiscal 2017, which began in October 2016, the federal budget deficit was $344 billion — $8 billion less than the shortfall recorded during the same span last year, largely due to the timing of certain payments. If not for those shifts in payments, the deficit for the first seven months of fiscal 2017 would be $77 billion larger than the one recorded for the same period last year.
- In the week ended May 6, the advance figure for seasonally adjusted initial claims was 236,000, a decrease of 3,000 from the previous week's unrevised level of 238,000. The advance seasonally adjusted insured unemployment rate remained at 1.4% for the fourth consecutive week. The advance number for seasonally adjusted insured unemployment during the week ended April 29 was 1,918,000, a decrease of 61,000 from the previous week's level, which was revised up 15,000. This is the lowest level for insured unemployment since November 5, 1988, when it was 1,898,000.

Eye on the Week Ahead

This week is a slow one for important economic reports. Investors will be watching for more corporate earnings information, while also tracking the EU following France's presidential election and Puerto Rico's continuing debt crisis.

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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