



# INCISIVE INVESTOR

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## WEEK IN REVIEW: CRUDE-OIL AT 52-WEEK HIGH; STOCKS BARELY MOVE

### Review of the week ended December 23, 2016

- **US stocks slightly higher**
- **Crude-oil at 52-week high**
- **US Q3 annual economic growth rate revised up**
- **Scotland threatens to leave UK**
- **BOJ upgrades assessment, leaves policy**

U.S. stocks rose slightly on Friday, with the Dow Jones Industrial Average logging its seventh straight weekly gain.

U.S. stocks were little changed in their final trading day before the holidays on Friday, and while indexes tracked a positive week, the “Santa rally” that had taken indexes to repeated records appeared to stall with few catalysts to induce buying.

The Dow once again was unable to pierce the closely watched milestone of 20,000, but the index is nevertheless did log its seventh consecutive weekly gain. That streak matches its longest weekly run since the period between Oct. 4, 2014 and the first week of December 2014, according to FactSet data.

With the Holidays approaching there has been a slowdown in trading volume and a slowdown in volatility this week. Many traders believe we’ve had a pretty good move since the election, so we’re digesting that move, which is healthy.

Crude-oil prices on Friday ticked modestly higher, enough to register a 52-week high in abbreviated trade ahead of the holiday weekend.

On the New York Mercantile Exchange, West Texas Intermediate futures ended up at \$53.02 a barrel, marking its highest closing value since July 14, 2015, according to Dow Jones data.

Rig-count data showed an eighth straight week of an increasing number of rigs drilling for oil. Markets are closed on Monday for the Christmas holiday.

US Treasury yields were down slightly on the week, falling to 2.53% from 2.58% a week ago while the Chicago Board Options Exchange Volatility Index (VIX) remains historically low, at 11.60.

### **GLOBAL NEWS**

#### **US and UK has growth revised higher**

Already strong US gross domestic product figures were revised higher in the final

reading for the third quarter. Originally reported at an annual rate of 3.3%, the economy grew 3.5%, according to an estimate by the US Bureau of Economic Analysis. Q4 growth looks to be somewhat less robust, with estimates in the 2.0% to 2.5% range at the moment. In the United Kingdom, Q3 growth was also revised higher. On a quarter-over-quarter basis, the UK economy expanded 0.6% in the three months following the Brexit vote, up from an earlier 0.5% estimate.

### **Scotland threatening to bolt UK**

If the United Kingdom does not remain a member of the European Union's single market, Scotland will hold another referendum on withdrawing from it, Scottish first minister Nicola Sturgeon said this week. Scotland voted to remain within in the EU in last June's referendum, as did Northern Ireland, but England and Wales produced large enough majorities to win the day for the Leave campaign. In 2014, Scotland held a referendum on independence that was defeated 55% to 45%. The UK government continues to plot its Brexit strategy ahead of triggering Article 50, likely in March.

### **BOJ upgrades its economic outlook**

The Bank of Japan upgraded its economic assessment, noting that a moderate recovery trend had continued while exports had picked up. Improved foreign demand was credited with the export boost, along with a weaker yen, which should help solidify the recovery, the bank said. The BOJ's super-easy monetary policy was left unchanged.

### **Two European banking giants settle US mortgage cases**

Deutsche Bank and Credit Suisse each agreed to settle outstanding cases with the US Department of Justice involving the mis-selling of mortgage-backed securities dating back to the global financial crisis. Deutsche Bank settled for \$7.2 billion, roughly half what the DOJ proposed in September. Credit Suisse agreed to pay roughly \$5.3 billion. UK-based Barclays was unable to come to an agreement, and the DOJ has since filed suit in the matter.

### **CORPORATE NEWS**

#### **Linde and Praxair agree to merge**

After a two-year courtship, industrial gas giants Praxair and Linde have agreed to merge their operations. The combined value of the deal is \$66.6 billion.

## THE WEEK AHEAD

- **Japan releases consumer price and unemployment data on Monday, December 26**
- **Japan reports retail sales data on Wednesday, December 28**
- **US November pending home sales figures are released on Wednesday, December 28**