



# INCISIVE INVESTOR

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## WEEK IN REVIEW: HOPEFUL UPSWING FOR US ECONOMY

### Review of the week ended November 25, 2016

- **US economy steams**
- **Fillon earns a win for first round of French primary**
- **Germany's Chancellor Merkel seeks fourth term**
- **Four major US indices score record highs**
- **Trump intend to withdraw from TPP on first day**

For the week, S&P gained 0.4%, while the Dow climbed 0.4% as shares of Cisco and Coca-Cola led the blue-chip gauge higher. The Nasdaq also advanced 0.3%.

Global equities rose this week on a hope of continued economic boost in the wake of the US presidential election. Strong US economic data suggest the economy is gaining strength even before any additional fiscal stimulus. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), fell to 12.6 this week from 13.2 a week ago. Oil prices rose in anticipation of a deal to cut production at next week's OPEC meeting in Vienna. West Texas Intermediate crude rose to \$47.50 from \$45.30 a week ago. Yields on the 10-year US Treasury note rose to 2.37% from 2.29% a week ago on a continuation of the post-election reflation

trade.

### **GLOBAL NEWS**

#### **US economic growth develops steam**

A series of increasing economic data points were released this week, further sealing the case for a hike in policy rates from the US Federal Reserve at its December meeting. Among the weeks highlights were strong durable goods orders (up 4.8% in October), a nine-and-a-half year high in existing home sales and a jump in the manufacturing purchasing managers' index.

#### **Sarkozy comeback fades; Francois Fillon advances to second round**

A comeback bid by former French president Nicolas Sarkozy in the conservative presidential primary fell

short, with Sarkozy coming in third in the first round. François Fillon achieved the top vote. He served as Sarkozy's prime minister and will face former finance minister Alain Juppé in Sunday's final primary round. The first round of the presidential election takes place in April.

## **Merkel seeks fourth term as chancellor**

Despite waning popularity in opinion polls owing largely to her liberal immigration policies, Chancellor Angela Merkel has announced that she will lead her Christian Democratic Union in next fall's German elections. Merkel is seeking a fourth term as chancellor, an office she has held since late 2005.

## **Four major US equity indices set record highs**

On Tuesday, the four major US equity indices, the Dow Jones Industrial Average, the S&P 500 Index, the Nasdaq Composite Index and the Russell 2000® Index, all set record highs. The last time all four indices ended in record territory was December 31, 1999.

## **Trump intends to make good on TPP threat**

In a video this week, President-elect Donald Trump announced priorities for his first day in office. Tops on the list was a vow to withdraw from the Trans-Pacific Partnership, a multilateral trade deal. Also on the list are looser restrictions on energy production, reductions in government red tape, enforcement action against those remaining with expired visas and a measure that would bar executive branch members from lobbying within five years of leaving their jobs.

## **CORPORATE NEWS**

### **Sunoco Logistics and Energy Transfer Partners combine operations**

The two pipeline companies, both controlled by Energy Transfer Equity, will combine operations for the purpose of minimizing borrowing and operating costs. Sunoco Logistics will buy Energy Transfer Partners in an all-stock deal valued at nearly \$20 billion, creating the second-largest master limited partnership by enterprise value.

## THE WEEK AHEAD

- **ECB president Mario Draghi testifies before European Parliament committees on Monday, November 28**
- **US Q3 preliminary GDP is released on Tuesday, November 29**
- **The Eurozone consumer price index is reported on Wednesday, November 30**
- **Global manufacturing purchasing managers' indices are reported on Thursday, December 1**
- **The US releases its November employment report on Friday, December 2**