



INCISIVE INVESTOR

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WEEK IN REVIEW: US JOBS UP, STOCKS & OIL DOWN

Review of the week ended March 10, 2017

- **US employment report beats expectations**
- **ECB raises inflation forecasts**
- **China lowers growth target**
- **Second Scottish referendum, maybe**

U.S. stocks closed higher Friday on a stronger-than-expected February jobs report, but major benchmarks snapped multi-week winning streaks.

The S&P 500 index closed at 2,372.60, a decline of 0.4% for the week snapping a run of six weeks of consecutive gains.

The Dow Jones Industrial Average closed at 20,902.98, for the week, the Dow finished down 0.5%, snapping a streak of four straight weekly gains while the Nasdaq Composite Index finished at 5,861.73 slipping 0.2% for the week, as it also snapped a six week winning streak.

A plunge in oil prices has made for a tough week, with the price now firmly below \$50 a barrel for WTI crude settling at \$48.49 a barrel, for a 9.1% decline on the week to its lowest level since November. The decline in oil prices accelerated Friday after active rig-count data showed an increase for the eighth week in a row. The yield on the US 10-year Treasury note

continued to advance this week in anticipation of tighter monetary policy, rising to 2.58% from 2.49% a week ago. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), was little changed at 11.7.

US payrolls rise more than forecast

Nonfarm payrolls rose 235,000 in February, more than economists had forecast. The strong data, along with upward revisions to prior months, have prompted Fed watchers to begin to forecast a faster pace of tightening by the US Federal Reserve. In addition to the potential for more-frequent rate hikes, observers are discussing the prospect of the Fed beginning the process of reducing the size of its balance sheet late in 2017 or early in 2018. The unemployment rate dipped to 4.7%, while the labor participation rate rose to 63%.

US trade gap widens

The United States reported its largest monthly trade deficit in nearly five years this week. January's deficit rose 9.6% from December, to \$48.5 billion. US Commerce Secretary Wilbur

Ross, calling for free and fair trade, said the latest data show that there is much work to be done on trade agreements.

GLOBAL NEWS

ECB signals a lower sense of urgency

European Central Bank president Mario Draghi said this week that deflation risks in the Eurozone have "largely disappeared," as ECB inflation forecasts were raised to 1.7% from 1.3% for 2017 and 1.6% from 1.5% in 2018. In a sign of receding deflation concerns, the ECB dropped from its opening statement the phrase that it is prepared to use "all available instruments available within its mandate." However, Draghi warned that downside risks remain, particularly around the geopolitical sphere.

China signals slightly lower growth ahead

At its annual meeting of the National People's Congress, China announced it had trimmed its official economic growth target to 6.5% for 2017 from a range of 6.5%-7% in 2016. Actual

growth in 2016 was 6.7%. Also this week, China reported a rare trade deficit. Analysts are wary of data from January and February given the variable timing of the Lunar New Year holiday.

Scottish leader floats notion of second independence vote

Scottish first minister Nicola Sturgeon says late 2018 could be the best time for a second referendum on independence from the United Kingdom. The timing would coincide with the shape of the UK's Brexit deal becoming clear, the minister said. Scotland voted in 2014 to remain a part of the UK, but Brexit has set off fresh calls for independence. Further related to Brexit, UK Prime Minister Theresa May continues to tussle with the House of Lords, with the upper chamber voting to amend the Article 50 bill to force Parliament to vote on the final outcome of the government's negotiations with the European Union. The bill will now be sent back to the House of Commons, where it is expected to be overturned.

THE WEEK AHEAD

- **The United States and Canada turn their clocks ahead one hour for daylight saving time on Sunday, March 12**
- **China releases retail sales figures on Tuesday, March 14**
- **US retail sales for February are released on Wednesday, March 15**
- **The US Federal Reserve meets to set interest rates on Wednesday, March 15**
- **The Bank of Japan holds a rate-setting meeting on Thursday, March 16**
- **The Bank of England meets to set interest rates on Thursday, March 16**
- **The US reports industrial production data on Friday, March 17**