



INCISIVE INVESTOR

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WEEK IN REVIEW MARKETS CHARGE BACK

Review of the week ended February 16, 2018

- **US market for sixth straight day**
- **Russian nationals indicted**
- **Housing starts are up**
- **Commerce Dept. backs tariffs on steel, aluminum**
- **Houston firm sues ex-Venezuelan oil czar Ramirez**

The Dow industrials and S&P 500 on Friday logged their sixth straight advance on Friday, but the Nasdaq lagged its peers, as political drama sparked turbulent trade late in the session. Still, the benchmarks produced their best weekly rise in years, as the stock market attempts to claw back from last week's 10% pullback. The Dow Jones Industrial Average closed up about 19 points, or 0.1%, at 25,212, while the S&P 500 index ended up about a point, or less than 0.1%, at 2,732. The Nasdaq Composite Index meanwhile, closed down roughly 17 points, or 0.2%, at 7,239.

For the week, the Dow rose 4.3% in its biggest one-week percentage rise since November 2016. The S&P 500 also gained 4.3% in its best week since January 2013,

while the Nasdaq ended up 5.3% in its best weekly percentage gain since December 2011. Also at current levels, the Dow is 5.3% below its all-time high, hit last month. The S&P is 4.9% below its own record, while the Nasdaq stands 3.6% shy of its own. Signs that the economy is growing, but not in any danger of overheating, helped stocks to move ahead this week and also take the sting out of last week's losses. Alongside that recovery, bullish sentiment jumped, according to a weekly survey, nearing unusually high levels.

Bond prices rose. The yield on the 10-year Treasury note fell to 2.87 percent from 2.91 percent. U.S. crude oil picked up 34 cents to \$61.68 a barrel in New York. Brent crude, used to price international oils,

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added 51 cents to \$64.84 a barrel in London. Gold inched up 90 cents to \$1,356.20 an ounce. Silver lost 8 cents to \$16.71 an ounce. Copper stayed at \$3.25 a pound. The dollar edged up to 106.30 yen from 106.27 yen. The euro fell to \$1.2413 from \$1.2506.

Russian nationals indicted along with 3 Russian entities

Special Counsel Robert Mueller announced the indictments of 13 Russian nationals and three Russian entities, accusing them of interfering in U.S. elections. Major indexes had been solidly higher in afternoon trading before the announcement. Deputy Attorney General Rod Rosenstein said there is no allegation that any American knowingly colluded with Russia in trying to influence the 2016 presidential election.



Housing starts up almost 10%

Construction on new homes in the U.S., known as housing starts, jumped almost 10% in January

to an annual rate of 1.33 million. That is the second highest level since the 2007-09 recession and it easily exceeded the 1.24 million forecast of some economists. That was the highest level since October 2016, and permits, a sign of future construction, also climbed.

Consumer sentiment rising

The University of Michigan said its consumer-sentiment index rose more than expected to a reading of 99.9 in February, up from 95.7 in January and the second-highest level in 14 years.

Commerce Dept. backs tariffs on imported aluminum and steel

The Commerce Department is saying that imported aluminum and steel threaten U.S. national security and is urging President Donald Trump to impose tariffs or quotas to boost American production. The recommendations unveiled by Secretary Wilbur Ross are likely to escalate tensions with China and other U.S. trading partners. Stepped-up production of steel and aluminum, especially by China, has driven down prices and hurt American producers.

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Puerto Rico to reduce power generation amid cash shortfall

Puerto Rico's electricity utility said Friday it will dial down the power generation starting this weekend as a federal control board urgently seeks a \$300 million loan for the troubled utility after a judge rejected a previous \$1 billion loan request. The announcement comes as nearly 400,000 power customers across the island remain in the dark more than five months after Hurricane Maria hit the island, causing the longest blackout in U.S. history. Ernesto Sgroi, president of the governing board of Puerto Rico's Electric Power Authority, said the reduction in power generation would start Sunday and was not expected to interrupt service. But he warned it could destabilize a power grid still being repaired after it was heavily damaged by Maria.

Houston firm sues ex Venezuelan oil czar Ramirez over bribes

Venezuela's former oil czar Rafael Ramirez is being sued by a Houston company that alleges he was behind alleged demands for at least \$10 million in bribes to sign off on deals to sell its energy assets in the country. The lawsuit filed Friday comes just days after a U.S. official told The Associated Press that Ramirez is suspected by prosecutors of having received bribes in connection to a major graft scheme at Venezuela's state-run oil company. Harvest Natural Resources alleges it refused four

separate bribe demands from a consultant who said he was acting in Ramirez's name. The company says that as a result, its deals with buyers from Argentina and Indonesia fell through.



Foreign Markets

European stocks booked their best week since 2016. The CAC 40 of France climbed 1.1 percent after a strong gain a day ago. Germany's DAX added 0.9 percent while the FTSE 100 in Britain gained 0.8 percent. Many Asian markets were shut in observance of the Lunar New Year holiday but in Japan, the Nikkei 225 index climbed 1.2 percent.

Major Stock Movers

Shares of U.S. Steel Corp. (X) surged more than 14%, AK Steel (AKS) up 13%, and Alcoa Inc. rose stock rose nearly 3% on Friday after the U.S. Commerce Department recommended tariffs on steel and aluminum from other countries,

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including China and Brazil. VF (VFC) fell 11% after reporting falling margins in its business; Shake Shack (SHAK) was down over 7% after reporting same store sales had only grown 0.8% over last year's

earnings. Arista Networks (ANET) tumbled by 18% after reporting increased earnings but not as good as some money managers had hoped.

THE WEEK AHEAD - UNITED STATES

Date

- Monday, February 19
- Wednesday, February 21
- Thursday, February 22
- Friday, February 23

Release/Event

U.S. Markets closed for President's Day
Existing Home sales; FOMC minutes released, MBA mortgage applications
Jobless claims, Leading Indicators
Baker- Hughes Rig Count report



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