



INCISIVE INVESTOR

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WEEK IN REVIEW: STOCKS LOWER AS HEALTHCARE BILL IS WITHDRAWN

Review of the week ended March 24, 2017

- **Pull of Health care bill could hinder Trump agenda**
- **United Kingdom to implement Article 50 on March 29**
- **Eurozone showing signs of accelerating growth**
- **BOJ chief says stimulus here to stay**

U.S. stocks ended lower on Friday as House Republicans withdrew the American Health Care Act after determining that they did not have enough votes to pass the bill. The withdrawal is a major setback for President Donald Trump who had made the repeal and the replacement of the existing Affordable Care Act one of his main campaign pledges. The S&P 500 closed at 2,344, down 1.4% for the week. The Dow Jones Industrial Average ended at 20,599 for a weekly decline of 1.5%. The

Nasdaq Composite closed at 5,828 finishing out the week 1.2% lower.

US 10-year Treasury note yields fell 10 basis points from a week ago to 2.41%. West Texas Intermediate crude slumped to \$47.80 from \$49.25 last Friday and global Brent fell to \$50.60 from \$52.00 as US production continued to build. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), rose to 12.4

from 11.2.

Markets fear health care failure could crimp Trump's clout

After delaying a scheduled vote on the American Health Care Act on Thursday, lawmakers pulled the bill instead of seeing it go down in defeat. If passed, the bill would be sent on to the Senate for its consideration. Observers grew concerned this week that if the Trump administration fails to advance one of its signature agenda items straight out of the gate that it may also struggle to pass market-friendly items like tax reform and infrastructure investment later in the Congressional session. A protracted fight on health care, at a minimum, would push those pieces back on the legislative calendar, delaying their economic impact. The failure to repeal and replace the Affordable Care Act would likely diminish the new administration's political capital.

GLOBAL NEWS

Prime Minister sets date for beginning Brexit process

British prime minister Theresa May this week set 29 March as the day that the United Kingdom will notify the European Union of its intent to leave the EU, beginning the two-year period set out in Article 50 of the Lisbon Treaty for negotiating the terms under which the UK will exit. The negotiations are expected to be thorny because the EU is loath to give the UK a “good” deal for fear of prompting additional EU members to quit.

European economy continues up

Flash purchasing managers’ indices jumped to their highest level in nearly six years today as the Eurozone composite PMI rose to a robust 56.7. Economists extrapolate from that data that gross domestic product growth is growing at a rate in excess of an annualized 2%. The euro strengthened on the data, as well as on hopes that a centrist candidate will derail populist Marine Le Pen in the upcoming French presidential

elections.

BOJ to stay the course

Bank of Japan governor Haruhiko Kuroda said today that there is no reason to withdraw monetary stimulus now, or to raise the bank's bond yield target, since inflation remains well below the BOJ's 2% goal. Recent upticks in Japanese growth and inflation have raised questions as to whether the central bank could alter its super-easy monetary policy. For now, those questions can be laid to rest.

Chinese liquidity tightens

Tightening liquidity conditions in China's banking system are raising concerns that economic growth could be negatively impacted as the year progresses. Recently, China has been taking steps to rein in its shadow banking system amid fears that the property market could overheat. Chinese iron ore futures tumbled 19%, the largest weekly decline on record, as the People's Bank of China introduced fresh borrowing curbs on home lending.

THE WEEK AHEAD

- **The UK is expected to trigger Article 50 of the Lisbon Treaty on Wednesday, March 29**
- **The United States reports revised Q4 gross domestic product figures on Thursday, March 30**
- **Japan reports inflation data and unemployment figures on Friday, March 31**
- **China releases purchasing managers’ indices on Friday, March 31**
- **The UK releases revised Q4 GDP figures on Friday, March 31**
- **The Eurozone reports consumer inflation data on Friday, March 31**