



# INCISIVE INVESTOR

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## WEEK IN REVIEW: NASDAQ AT A NEW RECORD, BANKS GAIN

### Review of the week ended January 13, 2017

- **Nasdaq leads, Dow 30 and S&P 500 lag**
- **Banks, financials continue to rise**
- **December US core retail sales flat**
- **China reports 2016 export drop**
- **US small business optimism soars**

U.S. stocks rose moderately Friday on the back of quarterly earnings from some of the country's biggest banks, as the Nasdaq closed at a record. The Nasdaq Composite Index finished at 5,574.12, its sixth all-time closing high in seven trading sessions and was the standout for the week among major indexes, up 1% over that period.

However, the Dow Jones Industrial Average and the S&P 500 finished lower for the week. The Dow Jones Industrial Average slipped to close 19,885.73. For the week, the blue-chip index is off 0.4%. The S&P 500 index ended at 2,274.64 for a weekly loss of 0.1%.

As for the banks, J.P. Morgan Chase & Co. reported earnings and revenue that exceeded expectations; helped by its trading division, while earnings at Bank of America Corp. rose 43%. On the downside, Wells Fargo & Co reported weaker than expected earnings and revenue in its first full quarter of results since its sales-tactics scandal erupted in September.

The results proved that the financial sector's postelection rally had been warranted.

US 10-year Treasury note yields were steady at 2.42%. West Texas Intermediate crude dipped to \$53 a barrel from \$53.90 a week ago, and Global Brent crude dropped to \$56 a barrel from \$56.90. The Chicago Board Options Exchange Volatility Index (VIX) was steady at 11.20.

### **GLOBAL NEWS**

#### **US holiday sales are disappointing**

US retail sales rose 0.6% in December, but were flat when excluding automobile and gasoline sales.

#### **China's 2016 exports drop**

Exports from China fell for a second year amid persistent weakness in global trade. The possibility of disagreements with the United States over trade does not brighten the outlook for 2017. In 2016, exports fell 7.7% while imports slid 5.5%. There were some bright

spots discernible, suggesting domestic demand is improving. Record amounts of oil, iron ore, copper and soybeans were imported in 2016.

### **Outlook good for small businesses**

The National Federation of Independent Businesses termed the jump in its small business optimism indicator “stratospheric” as the number of business owners who expect better business conditions jumped 38 points. The index rose to 105.8, its highest level since 2004. The increased optimism is leading to more business activity, such as capital investment, according to the group.

### **Pace of US stimulus is questionable**

President-elect Donald Trump held a press conference this week but did not lay out a clear timeline or framework for the tax cuts and regulatory reforms he campaigned on. Markets are growing concerned that stimulus could come later than expected or be smaller in size than first envisioned. Trump did say that the Affordable Care Act would be repealed and replaced “essentially simultaneously.” The president-elect said that he would place his business interests in a trust and transfer

control of his company to his two adult sons.

### **Germany looking for 2016 growth uptick**

The German economy expanded 1.9% in 2016, the fastest pace in five years, up from 2015’s 1.7% pace. The government ended the year with a €6.2 billion budget surplus. German exports hit a record in November, rising 2.5% versus a year earlier. Forecasts for 2017 call for a slight decline in the German growth rate, with estimates ranging from 1.1% to 1.7%.

### **Bank of England says: Brexit no longer our biggest risk**

Bank of England governor Mark Carney said this week that Brexit is no longer the biggest single risk to financial stability in the United Kingdom. That’s a dramatic change in tune from the nation’s top central banker. Before the referendum in June, Carney warned of severe economic consequences if Britons voted to leave the European Union. Now, Carney says that the bank will very likely revise its economic forecast higher next month. The EU, Carney said, has more to lose from a “hard” Brexit than the UK.

## THE WEEK AHEAD

- **US financial markets are closed for Martin Luther King Jr. Day on Monday, January 16**
- **The World Economic Forum in Davos begins on Tuesday, January 17**
- **The European Union reports consumer price data on Wednesday, January 18**
- **The United States reports consumer price data on Wednesday, January 18**
- **The European Central Bank holds a rate-setting meeting on Thursday, January 19**
- **China reports retail sales and gross domestic product figures on Friday, January 20**