



# INCISIVE INVESTOR

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## WEEK IN REVIEW: FED LIFTS RATES, NASDAQ DROPS

- **Dow climbs to all-time high; Nasdaq falls, S&P 500 about even**
- **FOMC raises policy target range 25 basis points to 1% - 1.25%**
- **Macron's party likely to secure majority**
- **IMF raises China forecast, says deep reforms needed**

The Dow Jones Industrial Average on Friday notched its 21st record of 2017 led by a late-stage rise in energy shares, as Amazon announced plans to buy Whole Foods—one of the buzziest mergers of 2017. However, the tech-heavy Nasdaq Composite ended lower and booked a second-straight weekly loss, extending what has proven a painful weekly stretch for tech's highfliers. The Dow Jones Industrial Average moved up to 21,384.28—a new all-time high. The blue-chip index's climb was on the back of a jump in shares of Chevron Corp. and Exxon Mobil Corp. gaining 1.9% and 1.5% respectively.

For the week, the index climbed 0.5%. The S&P 500 ended less than a point higher at 2,433.14, as the surge in energy, up 1.7%, more than offset a drop in consumer staples, down 1%, as Whole Foods's rivals, notably Kroger Co. and Costco Wholesale Corp. retreated sharply on the news of its \$13.7 billion deal. Shares of Amazon.com

Inc. rose 2.3% after the announcement, while shares of Whole Foods Market Inc. soared 29%. The broad-market index ended the week roughly where it started. The weakest performer among the main equity benchmarks, the Nasdaq Composite Index dipped to 6,151.76 and lost 1% over the week, as technology stocks continued to come under pressure, amid concerns that that group is overvalued.

Softer-than-expected data on U.S. housing starts didn't help the tone in early trade, with investor sentiment less than optimistic. Housing starts fell 5.5% to an annual rate of 1.09 million in May, the lowest level in eight months. Economists had forecast starts at a 1.23 million pace. The yield on the US 10-year Treasury note fell 4 basis points from week-ago levels to 2.16% while the price of West Texas Intermediate crude oil declined to \$44.70 from \$45.50 last Friday. Volatility, as measured by the Chicago Board Options

Exchange Volatility Index (VIX), edged up to 10.9 from 10.0 a week ago.

## **Fed hikes rates, reveals plan to shrink bond holdings**

the US Federal Reserve hiked rates on Wednesday, and indicated it will likely hike rates once more this year. Also, the central bank laid out the framework it will use when it begins to shrink its massive balance sheet, a process it indicated will begin later this year. The Fed will initially allow \$10 billion in securities to mature each month — \$6 billion in Treasuries and \$4 billion in mortgage and agency debt — gradually increasing until it reaches a cap of \$50 billion a month.

## **US revises Cuba policy**

The Trump administration announced a revised Cuba policy on Friday that will tighten rules on Americans traveling to Cuba and restrict US companies from doing business with entities controlled by the Cuban military. Exceptions will be made for US air carriers and cruise lines.

## **GLOBAL NEWS**

### **New party set to grab French majority**

French president Emmanuel Macron's Republic on the Move party is set to secure a significant majority in the National Assembly, based on voting in the first round of the two-round process. His party is projected to win as many as 450 of the 577 seats in France's lower house, potentially giving him the ability to push through needed, but previously unpopular, reforms. The final round of voting takes place on Sunday, June 18th.

### **IMF ups China outlook**

The International Monetary Fund raised its gross domestic product forecast for China to 6.7% in 2017, up from its prior 6.6% projection, the second time the fund has boosted its outlook. China should embrace reform while growth is strong, the IMF said, since buffers are sufficient to ease the transition and to avoid sharp adjustments down the road.

## THE WEEK AHEAD

- **The final round of parliamentary elections occur in France on Sunday, June 18**
- **Brexit negotiations commence in the United Kingdom on Monday, June 19**
- **The United States releases existing home sales report on Wednesday, June 21 and leading economic indicators on Thursday, June 22**
- **Canada releases consumer price index on Friday June 23**
- **Flash purchasing managers indices are released globally on Friday, June 23**