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Market Week: February 12, 2018

The Markets (as of market close February 9, 2018)

OUCH! That's probably the most apt way to describe investor sentiment about the stock market over the past couple of weeks. Despite a strong close last Friday, each of the benchmark indexes listed here lost significant value for the week. Volatility is running rampant, marked by big swings occurring throughout each day of trading. The Dow suffered 1000 point losses last Monday and Thursday — the largest in history. Following months of record highs, market indexes have given back January gains to fall below their year-end values. Last week's losses are the steepest in over two years. And the hits taken by equities aren't restricted to domestic stocks, as many major indexes around the globe saw significant downturns. Apparently, fear of impending inflation and interest rate escalation has pushed investors out of stocks and long-term bonds, as evidenced by the increase in the yield on 10-year Treasuries (as prices fall, yields increase).

Will this trend continue? Of course, it's hard to predict, but fourth-quarter corporate earnings continue to exceed expectations and the employment sector continues to expand, albeit at a slower pace. Also, stocks hit a similar wall at the beginning of 2016, only to bounce back to post strong gains by the end of the year.

The price of crude oil (WTI) fell for the second consecutive week to \$59.24 per barrel last Friday, down from the prior week's closing price of \$65.06 per barrel. The price of gold (COMEX) decreased last week to \$1,318.50 by early Friday evening, falling from the prior week's price of \$1,335.20. The national average retail regular gasoline price increased for the seventh consecutive week to \$2.637 per gallon on February 5, 2018, \$0.030 above the prior week's price and \$0.344 more than a year ago.

| Market/Index | 2017 Close | Prior Week | As of 2/9 | Weekly Change | YTD Change |
|-------------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 24719.22 | 25520.96 | 24190.90 | -5.21% | -2.14% |
| Nasdaq | 6903.39 | 7240.95 | 6874.49 | -5.06% | -0.42% |
| S&P 500 | 2673.61 | 2762.13 | 2619.55 | -5.16% | -2.02% |
| Russell 2000 | 1535.51 | 1547.27 | 1477.84 | -4.49% | -3.76% |
| Global Dow | 3085.41 | 3214.56 | 3016.88 | -6.15% | -2.22% |
| Fed. Funds target rate | 1.25%-1.50% | 1.25%-1.50% | 1.25%-1.50% | 0 bps | 0 bps |
| 10-year Treasuries | 2.41% | 2.83% | 2.85% | 2 bps | 44 bps |

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic Headlines

- According to the latest Job Openings and Labor Turnover report for December, the number of job openings fell by about 167,000 from November. The number of hires in December compared to November was essentially the same at 5.5 million, as was the number of separations (5.24 million). Job openings increased in accommodation and food services, government, and information. Sectors with



Key Dates/Data Releases

2/12: Treasury budget

2/14: Consumer Price Index, retail sales

2/15: Producer Price Index, industrial production

2/16: Housing starts, import and export prices

decreasing job openings include construction, manufacturing, retail trade, and professional and business services. Over the 12 months ended in December, hires totaled 64.7 million and separations totaled 62.6 million, yielding a net employment gain of 2.2 million.

- The trade gap widened in December by \$53.1 billion, according to the latest report from the Census Bureau. While exports expanded by 1.8%, imports grew by a steep 2.5%. Rising exports reflects strong global demand for domestic products and services, particularly on the heels of a falling dollar. Imports of consumer goods drove the increase on that side of the ledger, rising 6.1% in December. For 2017, the goods and services deficit increased \$61.2 billion, or 12.1%, from 2016.
- Growth in the non-manufacturing (services) sector expanded in January, according to the Institute for Supply Management's non-manufacturing survey. The ISM® Non-Manufacturing Index registered 59.9%, almost 4.0 percentage points ahead of December's reading. The index, which surveys 17 service industries such as real estate and food services, had been slowing until January's reading. Survey respondents noted growth in new orders, employment, and prices last month.
- In the week ended February 3, initial claims for unemployment insurance was 221,000, a decrease of 9,000 from the previous week's level. The advance insured unemployment rate remained 1.4%. The advance number of those receiving unemployment insurance benefits during the week ended January 27 was 1,923,000, a decrease of 33,000 from the prior week's level, which was revised up by 3,000.

Eye on the Week Ahead

While the economy has been steady, price inflation has lagged. This week, January's figures on prices for goods and services at both the consumer and retail level are available. A bump in prices could be a warning of rising inflation, prompting investors to sell equities and long-term bonds.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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