

## Much To Be Thankful For In 2017

**November 27, 2017** – U.S. stocks pushed higher during the shortened Thanksgiving Day holiday week as investors embraced generally positive economic data and expressed optimism for stronger-than-expected holiday retail sales. Including Friday’s abbreviated session, the S&P 500 has closed at an all-time high for 54 out of 225 trading sessions this year. On average, this represents a new record every four days, the third–most since 1928. Among key economic data last week, the Conference Board’s Leading Economic Indicators Index rose 1.2% last month, topping forecasts. This follows a revised 0.1% September increase that was originally reported as a 0.2% decline. Also favorable, Treasury Secretary Mnuchin said he expects the Senate will approve a Republican tax reform bill and send it to President Trump for approval by Christmas. On Friday, the S&P 500 finished above the 2,600 level for the first time, ending at 2,602.42.

In other key economic data last week, a preliminary report on durable goods orders declined by 1.2% in October, with officials noting distortions from volatile trends in transportation-related goods. However, core shipments advanced by 0.4%, indicating a positive start to the fourth quarter GDP calculation for equipment spending. Existing home sales in October rose to a four-month high, and the Chicago Fed’s national manufacturing activity index widely topped expectations to approach a six-year high. Lastly, the University of Michigan’s final reading of consumer sentiment for November cooled to 98.5 from October’s 100.7 level, but topped economists’ consensus forecast for 98.0.

For the week, the S&P 500 gained 0.93%, the Dow Industrials rose 0.86% and the NASDAQ Composite advanced 1.58%. Small cap companies within the Russell 2000 Index outperformed for a second week, gaining 1.77%. All 11 major sectors within the S&P 500 posted gains last week, led by Telecom (+1.92%), Technology (+1.77%) and Industrials (+1.25%). Energy (+0.76%) companies within the S&P 500 advanced amid a 3.94% rally last week in U.S. crude oil. West Texas crude oil finished the week at a new two-year high of \$58.95/barrel. Gold futures declined by 0.42%, ending at \$1,288.80/oz. The U.S. Dollar Index weakened a third week, down 0.94% to finish on Friday at an eight-week low of 92.782. Treasury prices were nearly unchanged, as the yield on 10-year Treasury bonds slipped just one basis point to 2.343%.

### What We’re Reading

[S&P 500: Fast Rise to 2,600 ↗](#)

[Outlook for OPEC Extended Output Limits ↗](#)

[Passage Looks Favorable for Tax Reform ↗](#)

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### Week’s Economic Calendar

**Monday, Nov 27:** New Home Sales, Dallas Fed Manufacturing Survey;

**Tuesday, Nov 28:** International Trade in Goods, Case-Shiller Home Prices, Consumer Confidence;

**Wednesday, Nov 29:** 3Q GDP (2<sup>nd</sup> of 3), Corporate Profits, Pending Home Sales;

**Thursday, Nov 30:** Jobless Claims, Personal Income & Outlays, ISM Chicago PMI;

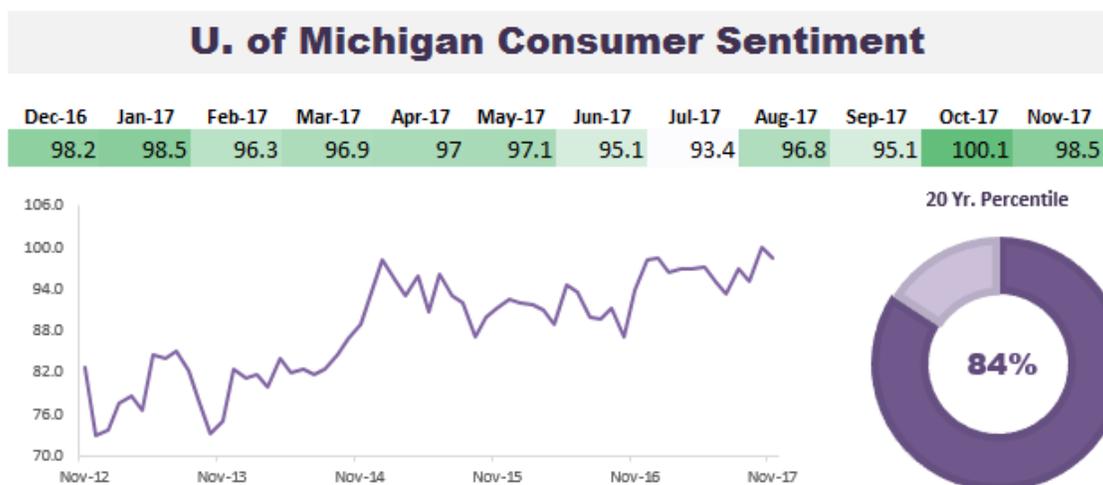
**Friday, Dec 1:** ISM Manufacturing Index, Construction Spending.

## Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.86%	0.77%	8.15%	19.20%	23.47%	9.75%
S&P 500	0.93%	1.24%	7.22%	18.36%	20.46%	10.23%
NASDAQ Composite	1.58%	2.54%	10.14%	29.27%	29.49%	14.49%
Russell 3000	1.03%	1.30%	7.64%	17.91%	19.83%	10.07%
MSCI EAFE	1.88%	1.18%	5.91%	23.22%	27.81%	6.15%
MSCI Emerging Markets	1.57%	3.18%	6.97%	36.46%	38.55%	6.96%
Bonds						
Barclays Agg Bond	0.19%	0.18%	0.12%	3.39%	3.65%	2.38%
Barclays Municipal	-0.36%	-0.14%	-0.24%	4.77%	5.21%	3.02%
Barclays US Corp High Yld	0.39%	-0.38%	1.37%	7.05%	9.34%	5.67%
Commodities						
Bloomberg Commodity	0.29%	1.02%	4.47%	0.23%	2.82%	-9.09%
S&P GSCI Crude Oil	3.95%	8.40%	24.29%	9.74%	22.93%	-8.03%
S&P GSCI Gold	-0.70%	1.68%	-0.02%	12.16%	8.34%	2.58%

## Chart of the Week: Consumer Sentiment Cools in November, But Remains High

Chart 1



Source: Tower Square Investment Management, University of Michigan

The University of Michigan Consumer Sentiment Index is a survey of consumer confidence conducted via telephone to gather information on consumer expectations regarding the economy. As Chart 1 illustrates, November's consumer sentiment reading was slightly lower than October, but still registered its second highest reading since 2004. Moreover, November's consumer sentiment reading of 98.5 is stronger than 84% of all readings in the last 20 years. Consumer confidence at this level is a positive sign for continued strength in consumer spending and great news for retailers ahead of the holiday shopping season. It is not a surprise that consumer confidence is elevated with the unemployment rate at its lowest level since 2001 and the stock market in its ninth year of the bull market.

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## Glossary

The **Barclays U.S. Treasury: U.S. TIPS Index** includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

The **Bloomberg Barclays US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly

The **Bloomberg Barclays U.S. Corporate (Investment Grade) Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-US private-sector industrial, utility and financial issuers. Certificates of deposit are also included. Launched in July 1973, securities included must be rated investment grade (Baa3/BBB-/BBB- or higher). Eligible senior and subordinated corporate securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 10.75 years. The index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly

The **Bloomberg U.S. Treasury Floating Rate Bond Index** is a rules-based, market value-weighted index engineered to measure the performance of floating rate U.S. Treasury bonds. The index inception date is January 31, 2014—the first month-end following the U.S. Treasury's issuance of a floating rate bond. Historical performance and characteristics are available from January 31, 2014, when floating rate notes were offered and first traded, the first new Treasury security since the introduction of Treasury-Inflation-Protected Securities (TIPS) in 1997.

The **Bloomberg Barclays US Convertible Bond > \$500MM Index** is designed to represent the market of US convertible securities, such as convertible bonds, with outstanding issue sizes greater than \$500 million.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.

The **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Introduced in 1993, the VIX Index has been considered by many to be the world's premier barometer of investor sentiment and market volatility.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index

The **NASDAQ-100 Index** includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDXY or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008