



Capital Asset Management

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Market Week: October 23, 2017



The Markets (as of market close October 20, 2017)

The Dow jumped 2.00% last week, reaching 23000 for the first time in its history. Strong corporate earnings and the anticipation of Congress reaching a budget resolution swayed investors toward equities. Each of the benchmark indexes listed here posted weekly gains, although not as considerable as the more narrowly focused Dow. Year-to-date, equities have surged ahead of their 2016 closing values, led by the Nasdaq (up over 23%), followed by the Dow, Global Dow, S&P 500, and the Russell 2000, which, while trailing the pack, is still over 11% ahead of last year's closing value.

The price of crude oil (WTI) rose to \$52.07 per barrel last Friday, up from the prior week's closing price of \$51.37 per barrel. The price of gold (COMEX) dropped to \$1,281.80 by early Friday evening, decreasing from the prior week's price of \$1,305.60. The national average retail regular gasoline price decreased to \$2.489 per gallon on October 16, 2017, \$0.015 lower than the prior week's price but \$0.232 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 10/20	Weekly Change	YTD Change
DJIA	19762.60	22871.72	23328.63	2.00%	18.04%
Nasdaq	5383.12	6605.80	6629.05	0.35%	23.15%
S&P 500	2238.83	2553.17	2575.21	0.86%	15.02%
Russell 2000	1357.13	1502.66	1509.25	0.44%	11.21%
Global Dow	2528.21	2955.99	2969.47	0.46%	17.45%
Fed. Funds target rate	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
10-year Treasuries	2.44%	2.27%	2.39%	12 bps	-5 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

- Following three consecutive months of declining activity, the number of existing home sales increased by 0.7% in September. Nevertheless, continuing supply shortages and recent hurricanes muted overall activity for the year. October's sales pace is 1.5% below a year ago. The median existing-home price for all housing types in September was \$245,100, up 4.2% from September 2016 (\$235,200). September's price increase marks the 67th straight month of year-over-year gains. Total housing inventory at the end of September rose 1.6% to 1.90 million existing homes available for sale, which is 6.4% lower than a year ago (2.03 million) and has fallen year-over-year for 28 consecutive months.
- The end of the fiscal year saw the federal deficit sit at \$665,712 billion, up \$80,066 billion, or almost 14%, over the 2016 fiscal year deficit. September saw a small surplus of \$8,000 billion for the month. For the fiscal year, total receipts increased by \$48,120 billion to \$3,314,894 trillion, while total government expenditures were \$3,980,605 trillion — \$128,185 billion ahead of last fiscal year.

Key Dates/Data Releases

10/25: Durable goods

orders, new home sales

10/26: International trade in goods

10/27: GDP

- New home construction took a hit in September, somewhat impacted by Hurricanes Harvey and Irma. Building permits fell 4.5% from August (although permits for single-family homes rose 2.4%) and housing starts dropped 4.7%. On the plus side, new home completions increased 1.1% in September over August.
- Industrial production rose 0.3% in September. The continued effects of Hurricane Harvey and, to a lesser degree, the effects of Hurricane Irma combined to hold down the growth in total production in September by 0.25 percentage point. For the third quarter as a whole, industrial production fell 1.5% at an annual rate; excluding the effects of the hurricanes, the index would have risen at least 0.50%. Manufacturing output edged up 0.1% in September but fell 2.2% at an annual rate in the third quarter. The indexes for mining and utilities in September rose 0.4% and 1.5%, respectively.
- U.S. import prices increased 0.7% in September after advancing 0.6% in August. This is the largest monthly rise in import prices since an increase of 0.7% in June 2016. Import prices have risen 2.7% over the past 12 months. The price index for U.S. exports rose 0.8% in September after increasing 0.7% the previous month. This is also the largest price increase for exports since a comparable increase in June 2016. Export prices have risen 2.9% over the past year.
- In the week ended October 14, the advance figure for initial claims for unemployment insurance was 222,000, a decrease of 22,000 from the previous week's level, which was revised up by 1,000. This is the lowest level for initial claims since March 31, 1973, when it was 222,000. The advance insured unemployment rate remained 1.3%. The advance number of those receiving unemployment insurance during the week ended October 7 was 1,888,000, a decrease of 16,000 from the previous week's revised level. This is the lowest level for insured unemployment since December 29, 1973, when it was 1,805,000.

Eye on the Week Ahead

The first report on the third-quarter gross domestic product is out at the end of the week. The second quarter saw the economy grow at a rate of 3.1%, although prices expanded at a more moderate 1.0%. Other important economic reports out this week include the September figures on orders for durable goods and international trade in goods.

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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