

Tech Titans Spur Seventh Weekly Advance

October 30, 2017 – U.S. stocks advanced on Friday after technology titans, particularly the giants of internet retail and search, announced stellar earnings that powered the NASDAQ Composite and S&P 500 to finish at record new highs, with the NASDAQ 100 (+2.91%) having its single-best day since March 2009. The earnings reaffirmed leadership in the technology sector after recent declines and lackluster performance, as well as calming valuation concerns in the broader market. Investor sentiment got a lift after the Commerce Department reported the economy expanded at a 3% annualized pace in the third quarter, topping economists' projections for 2.6%. Together with the 3.1% GDP growth during the second quarter, it is the strongest two-quarter expansion since 2014. Yet inflation remains stubbornly low, with the Fed's preferred measure of core prices up just 1.3%, still well below their 2% target. Meanwhile, Congressional Republicans successfully charted a pathway toward passing tax cuts by the end of the year.

In key economic news, the University of Michigan's reading for consumer sentiment rose to 100.7, in line with estimates, from 95.1 in September. Although down from a preliminary reading, that's the highest level of consumer confidence since early 2004. The U.S. trade gap in goods widened to a four-month high last month amid the first gain in imports since April (+0.9%) and as exports rose 0.7%. Pending sales in existing homes were flat last month, staying at the lowest level since the start of 2016, as officials noted lingering effects from Hurricane Irma. A preliminary report of September durable goods orders jumped 2.2%, topping forecasts for a 1% increase, while sales of new homes jumped 18.9% in September, following a 3.4% drop in August attributed to the hurricanes.

For the week, the S&P 500 rose 0.23%, the Dow Industrials gained 0.45% and the NASDAQ Composite rallied 1.09%. The small cap focused Russell 2000 Index trailed, posting a small 0.06% loss last week. Within the S&P 500, 5 of its 11 major sector groups posted gains last week, led by Technology (+2.87%), Consumer Discretionary (+1.13%) and Materials (+0.69%). Telecom (-3.16%), Healthcare (+2.09%) and Real Estate (-1.62%) were last week's biggest decliners. U.S. crude oil prices rallied 3.97% last week, while gold futures declined for a second week, falling \$6.62 (-0.52%) to end the week at \$1,273.88/oz. The U.S. Dollar Index strengthened by 1.30%, ending the week at 94.916; while Treasury prices continued to ease, sending the yield on 10-year Treasury notes up 2.2 basis points to 2.407%.

What We're Reading

[Corporate Investment Boosts Global Growth ↗](#)

[Savings Used to Fund Spending Surge ↗](#)

[Another 'Strength' Milestone Reached ↗](#)

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Week's Economic Calendar

Monday, Oct 30: Personal Income & Outlays, Dallas Fed Manufacturing Survey;

Tuesday, Oct 31: Employment Costs, Home Price Index, Chicago PMI, Consumer Confidence;

Wednesday, Nov 1: ADP Private Payrolls, ISM PMI Mfg., Construction Spending, FOMC Decisions;

Thursday, Nov 2: Chain Store Sales, Jobless Claims, Worker Productivity & Costs;

Friday, Nov 3: Non-farm Payrolls, U.S. Trade Deficit, ISM Non-Mfg., Factory Orders.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.45%	4.59%	7.51%	18.58%	29.00%	11.69%
S&P 500	0.23%	2.55%	4.78%	17.16%	23.52%	11.91%
NASDAQ Composite	1.09%	3.19%	5.27%	25.56%	29.96%	15.67%
Russell 3000	0.18%	2.39%	4.84%	16.64%	24.00%	11.72%
MSCI EAFE	-0.34%	0.91%	3.40%	21.05%	22.61%	6.60%
MSCI Emerging Markets	-0.84%	2.67%	4.29%	31.20%	25.43%	6.78%
Bonds						
Barclays Agg Bond	-0.10%	-0.23%	0.32%	2.91%	0.68%	2.20%
Barclays Municipal	-0.32%	0.20%	0.50%	4.87%	2.29%	2.95%
Barclays US Corp High Yld	-0.12%	0.37%	1.26%	7.40%	8.37%	5.59%
Commodities						
Bloomberg Commodity	0.72%	1.75%	2.22%	-1.17%	0.40%	-9.42%
S&P GSCI Crude Oil	3.97%	4.32%	9.91%	0.34%	8.41%	-12.69%
S&P GSCI Gold	-0.68%	-1.01%	0.42%	10.43%	0.18%	1.14%

Chart of the Week: Outsized Employment Contribution

Chart 1



The Philadelphia Fed's Leading Index is a composite reading of several U.S. economic indicators that lead the economy, including housing permits, initial unemployment insurance claims, and Treasury yield spreads. This index is often used as a proxy to gauge where the economy is heading over the next several months, because it measures the strength of leading indicators. As Chart 1 illustrates, the Leading Index historically has declined into negative territory during recessions and rises back into positive territory during expansions. The most recent reading for the Philly Fed Leading Index was 1.29, well above levels that have historically signaled a recession and only slightly below its 12-month average of 1.41, signaling continued stable growth in the months ahead.

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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 USDY 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