

S&P 500 Caps Eighth Straight Weekly Advance

November 6, 2017 – U.S. stocks climbed higher Friday, sending the S&P 500 to its eighth weekly advance, its longest string of weekly gains since 2013. Investor sentiment was boosted following better-than-expected earnings and strong services sector activity data, both of which added optimism on economic growth. The October payrolls report offered a mixed picture of the strength of the labor market. Non-farm payrolls increased 261,000 last month, the most in a year, while revisions for the prior two months added another 90,000. Despite the rebound from September’s hurricane-related jobs slowdown, the gain was shy of economists’ projections for a 313,000 increase. Also disconcerting, wage gains were unchanged, which reduced the year-over-year change in workers’ earnings to 2.4% from 2.9%. On a brighter note, the unemployment rate fell to 4.1% from 4.2% and the underemployment rate fell to 7.9% from 8.3%.

In other key economic news, the ISM manufacturing PMI slowed from 60.8 in September (a 13-year high) to 58.7 for October. Worker productivity rose by 3% in the third quarter, the most in three years, and up from a 1.5% pace the prior quarter. The rise in output is viewed as being tied to wage gains, with unit labor costs up 0.5% in the third quarter. The U.S. trade deficit widened in September as exports rose 1.1% to the highest level since December 2014, but imports rose more, up 1.2%. The ISM non-manufacturing (service sectors) activity index for October expanded to 60.1 – the strongest reading since mid-2005, while factory orders rose 1.4% in September. Lastly, President Trump officially nominated Jerome Powell to succeed Janet Yellen as Chairman of the Federal Reserve.

For the week, the S&P 500 rose 0.29%, the Dow Industrials gained 0.45% to finish at a new record high, and the NASDAQ Composite advanced 0.96%. The small-cap focused Russell 2000 Index trailed, posting a second weekly loss, down 0.87%. Within the S&P 500, 6 of its 11 major sector groups registered gains, led by Technology (+1.86%), Energy (+1.79%) and Real Estate (+1.66%). Telecom (-2.61%) and Consumer Discretionary (-0.77%) declined the most. U.S. crude oil prices extended gains as support grew for OPEC to prolong production cuts. West Texas Intermediate oil rose 3.22% last week to \$55.64/barrel, and has risen just over 12% over the past 30-days. Gold futures declined for a third week, falling \$4.16 (-0.32%) to end the week at \$1,269.72/oz. The U.S. Dollar Index strengthened fractionally, ending the week at 94.941, while Treasury prices rose, sending the yield on 10-year Treasury notes down 7.4 basis points to 2.333%.

What We’re Reading

[Most Record Highs in a Single Year ↗](#)

[Crucial Time for Tax Reform ↗](#)

[Corruption Crackdown in Saudi Arabia ↗](#)

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Week’s Economic Calendar

Monday, Nov 6: No releases scheduled;

Tuesday, Nov 7: Small Business Optimism, JOLTS;

Wednesday, Nov 8: MBA Mortgage Applications Activity;

Thursday, Nov 9: Jobless Claims, Wholesale Trade Data;

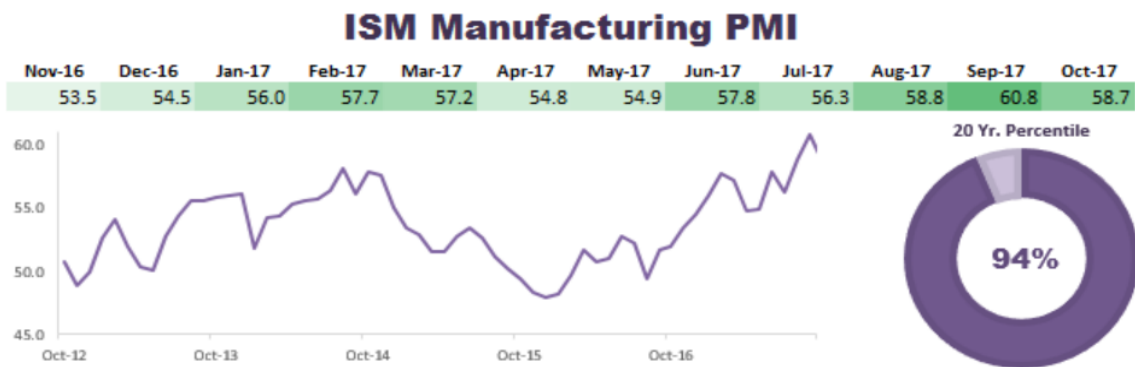
Friday, Nov 10: Consumer Sentiment.

Market Watch

| Stocks | 1-Week | MTD | 3-Month | YTD | 1-Year | 3-Year |
|---------------------------|--------|--------|---------|--------|--------|---------|
| Dow Jones Industrial Avg. | 0.45% | 0.69% | 6.87% | 19.11% | 31.30% | 10.67% |
| S&P 500 | 0.29% | 0.51% | 5.18% | 17.50% | 26.45% | 10.96% |
| NASDAQ Composite | 0.96% | 0.55% | 6.96% | 26.76% | 35.19% | 14.74% |
| Russell 3000 | 0.19% | 0.40% | 5.35% | 16.86% | 26.84% | 10.68% |
| MSCI EAFE | 0.92% | 0.31% | 3.30% | 22.16% | 24.81% | 6.63% |
| MSCI Emerging Markets | 1.45% | 0.64% | 6.25% | 33.11% | 30.17% | 6.12% |
| Bonds | | | | | | |
| Barclays Agg Bond | 0.44% | 0.15% | 0.26% | 3.36% | 1.01% | 2.48% |
| Barclays Municipal | 0.17% | 0.12% | 0.42% | 5.05% | 2.20% | 3.11% |
| Barclays US Corp High Yld | 0.04% | -0.01% | 1.23% | 7.44% | 9.72% | 5.55% |
| Commodities | | | | | | |
| Bloomberg Commodity | 1.20% | 0.81% | 4.53% | 0.02% | 4.78% | -9.29% |
| S&P GSCI Crude Oil | 3.23% | 2.32% | 13.48% | 3.57% | 24.60% | -10.94% |
| S&P GSCI Gold | -0.20% | -0.10% | -0.41% | 10.20% | -2.62% | 2.76% |

Chart of the Week: U.S. Manufacturing Continues to Expand

Chart 1



Source: Tower Square Investment Management, Institute of Supply Management

The ISM Manufacturing Index is based on purchasing manager survey responses from over 400 U.S. firms across 20 industries, as compiled by the Institute of Supply Management. Equal weight is given to responses in five areas: new orders, production, supplier deliveries, employment and inventories. Generally, a PMI reading over 50 indicates economic expansion, and a reading in the low 40's suggests recessionary conditions. Changes in the index is also helpful in gauging the direction of economic growth.

As Chart 1 illustrates, October's PMI index stood at 58.7, in line with August but slightly below expectations and lower than the month prior. The month-to-month changes were caused by shifting delivery times, which shortened as a reaction to hurricanes, and normalized in October. In our view, this reading is still a strong indication for continuing growth, as the index is in the 94th percentile. In fact, over the last 20 years, the PMI reading has been higher only 6% of the time.

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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