



# WEEKLY MARKET WRAP

## REVIEW & PREVIEW

November 15, 2016

VOLUME 23, ISSUE 36

The Presidential election outcome last week surprised both pollsters and pundits alike, Donald Trump won the Presidential election last week in a wave of populist sentiment that was like the Brexit vote in June. Trading volumes in both the bond and stock markets rose as investors sought to position themselves ahead of potential Trump policy changes, which are still being formed and would not be enacted until well into 2017 at the earliest.

- Economic Update:** The NFIB Small Business Survey rose last month after remaining steady for several months. Mortgage applications dipped slightly on rising interest rates, but delinquency rates continued to improve, as did Consumer Confidence, just ahead of the Holiday shopping season. Jobless claims fell again to 254K on the week, the 88<sup>th</sup> week below 300K claims, the longest stretch since 1970.
- Election Fallout:** Donald Trump pulled off a surprising victory, thanks to increasing rural turnouts in key swing states such as Michigan, Wisconsin, and Pennsylvania. Clinton failed to inspire Democratic voters, and the Trump coattails led to Republicans maintaining control of both the House and Senate, giving potential Congressional backing to Trump policies in the months ahead.
- Market Movements:** Immediately after the election results became clear, stock markets sold off overseas but quickly reversed after a conciliatory speech from President elect Trump. The remainder of the week saw markets positioning to align themselves with perceived Trump policies. Bonds sold off on fiscal spending and rising inflation expectations, with rates rising 36 bps in the 10-year Treasury bond during the week. Domestic stocks gained, as Financial, Energy, and Healthcare stocks stood to potentially benefit from an improved regulatory environment. Small cap stocks advanced as well, while Emerging stocks sold off on potential trade policy changes with China, Mexico, and other leading trading blocs. Utility stocks and other dividend plays also sold off on rising interest rates. Tech stocks weakened on immigration proposals that could restrict the high-tech labor pool.
- Fed Futures Pricing in December Hike:** The quick ramp up of interest rates in the U.S. and across the globe last week brought the futures probability of a FOMC rate hike in December to 86%. *The yield on the 10-year Treasury has increased by 64% in yield terms since its low on July 8<sup>th</sup>.*
- Canada and Mexico Open to NAFTA Talks:** Leaders of both Canada and Mexico have expressed willingness to discuss “modernizing” the NAFTA trade agreement, a key component of the Trump platform.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	-1.48%	-2.08%	3.60%
Barclays High Yield Bond	-0.09%	-0.55%	14.48%
Barclays Glb Agg Bond	-2.58%	-4.30%	5.12%
JPM Emerging Mkts Bond	-2.17%	-3.82%	10.65%
S&P Equity 500 Index	3.87%	0.06%	7.90%
Russell 3000 All Cap Index	4.39%	0.17%	8.36%
Russell 2000 Small Cap Index	10.27%	2.59%	14.34%
NASDAQ Composite	3.79%	-1.28%	5.72%
S&P Global BMI	1.79%	-1.98%	5.28%
MSCI EAFE Index	-1.55%	-3.57%	-1.91%
MSCI EAFE Small Cap	-1.65%	-5.16%	-0.24%
MSCI Emerging Markets	-3.51%	-2.51%	9.13%

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