



WEEKLY MARKET WRAP

REVIEW & PREVIEW

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The Dow rose slightly, moving within close range of breaking the 20,000 point barrier for the first time. However, the S&P 500 and the NASDAQ Composite both fell slightly, giving up some of the previous week's strong gains. As expected, the U.S. Federal Reserve (Fed) on Wednesday raised its benchmark interest rate by 0.25 of a percentage point. However, the Fed surprised many observers by lifting its forecast for the number of rate hikes it expects in 2017 from two to three.

- Economic Update:** *Retail sales* rose 0.1% in November, lagging the consensus expected 0.3%. In the past year, retail sales are up a solid 3.8% but have been accelerating, up at a 5.1% annual rate in the past six months and at a 7.0% rate in the past three months. *The Consumer Price Index (CPI)* increased 0.2% in November, matching expectations. The CPI is up 1.7% from a year ago, 2.5% annual rate in the past six months and a 3.5% annual rate in the past three months, matching the fastest three-month pace since 2012. *The Producer Price Index (PPI)* rose 0.4% in November, coming in well above the expected rise of 0.1%. Producer prices are up 1.3% in the past year, the largest 12 month increase since 2014. *Industrial production* declined 0.4% in November, coming in slightly below the consensus expected decline of 0.3%. After surging to a nine-year high in October, *housing starts* plummeted in November, declining 18.7% and are down 6.9% versus a year ago.
- U.S. Federal Reserve (Fed) raises rates:** on December 14th, the Fed raised U.S. interest rate for the first time in a year and signaled a more aggressive approach in 2017. In a widely expected move and a unanimous vote, the central bank raised its key short-term rate to a range of 0.5%-0.75% from 0.25%-0.5%. At the same time, the Fed's so-called "dot plot" showed the central bank has now penciled in three rate hikes in 2017 instead of two under its prior forecast.
- Bond market still under pressure:** the Fed's rate hike weighed further on bond prices, extending the recent sell-off in fixed-income markets. The yield of the 10 year U.S. Treasury bond climbed to around 2.60%, the highest level since September 2014. Short-term bonds prices fell and the yield of the two-year U.S. Treasury note rose to its highest level in 7 years on Wednesday. The immediate impact on longer-duration bonds was more muted, as the yield of the 30 year U.S. Treasury bond was little changed.
- Currency moves:** the US dollar strengthened to a near 14 year high against its peers on Thursday. The Japanese yen fell to an eight month low, while China's yuan dropped to an eight and a half year low.
- Carl's Corner:** At one point during their Super Bowl winning season in 2000, the Baltimore Ravens went 5 weeks without scoring an offensive touchdown.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	-0.61%	-4.05%	1.52%
Barclays High Yield Bond	-0.06%	1.16%	16.44%
Barclays Glb Agg Bond	-1.19%	-8.33%	0.70%
JPM Emerging Mkts Bond	-0.34%	-5.26%	8.99%
S&P Equity 500 Index	-0.03%	4.64%	12.84%
Russell 3000 All Cap Index	-0.28%	4.99%	13.58%
Russell 2000 Small Cap Index	-1.68%	9.30%	21.83%
NASDAQ Composite	-0.11%	2.65%	9.93%
S&P Global BMI	-0.64%	1.25%	8.75%
MSCI EAFE Index	-0.55%	-1.68%	0.01%
MSCI EAFE Small Cap	-0.90%	-4.98%	-0.06%
MSCI Emerging Markets	-2.43%	-5.06%	10.15%

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