



WEEKLY MARKET WRAP

REVIEW & PREVIEW

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Stocks fell early in the week, but signs of strength in the labor market reignited a U.S. dollar rally and domestic stock indices posted gains with the S&P 500 hitting a new record high. Treasuries started the new year by rallying 15 basis points fueled by better than expected nonfarm payroll figures. Europe and emerging markets (EM) saw positive signs of improvement with EM spreads narrowing and currencies holding up against a 14-year high dollar. Global fixed income continues to face headwinds with Barclays Global Aggregate Bond Index posting a negative -0.02% return for the week.

- Economic Update:** *The ISM manufacturing index* ended 2016 on a high note and rose to 54.7 in December with the ISM manufacturing survey hitting the highest reading in two years. December's increase represents the fourth consecutive month that the index has moved higher, signaling faster growth. Both the new orders and production indices hit multi-year highs, suggesting that 2017 should hit the ground running. *The non-manufacturing index* was unchanged at 57.2 in December, beating the consensus expected 56.8. The major measures of activity were mixed in December, but all remain above 50, signaling expansion. *The trade deficit* in goods and services came in at \$45.2 billion in November, slightly smaller than the consensus expected \$45.4 billion, but still at a nine-month high. *Nonfarm payroll* increases 156,000 in December versus a consensus expected 175,000. The *unemployment rate* rose to 4.7% in December from 4.5% in November.
- Stocks began the new year on a strong note:** Stocks rose in the first week of 2017 as investors appeared to welcome some good economic data and look forward to healthier upcoming quarterly earnings reports. Positive readings on the manufacturing sector, both in the U.S. and overseas, helped stocks recover momentum from a weak end to 2016 when trading reopened Tuesday.
- Fixed income dominated by Corporates:** In 2016, Corporates had its highest issuance year ever and 2017 started strong with additional strong flow of issuance. High yield (HY) issuers have taken advantage of low rates to refinance their balance sheets and only 2% of the HY universe will mature in 2017, which should provide some security for the asset class.
- Eurozone inflation climbed:** European policymakers have struggled in recent years to ignite economic growth, but we may finally see some progress. Although still below the European Central Bank's target of 2.0%, inflation in the 19 country Eurozone climbed to 1.1% in December, its highest level in more than three years and deflation worries a vanishing.
- Currency moves:** The Chinese yuan posted its largest ever two day gain against the U.S. dollar after China's central bank took steps to support the currency.
- Carl's Corner:** Alabama and Clemson are the first teams ever in College Football history to have a rematch for a designated National Championship game. This includes the eras of the Bowl Coalition (1992-94), Bowl Alliance (1995-97), BCS (1998-2013), and CFP (2014).

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	0.17%	0.17%	0.17%
Barclays Global Aggr Bond	-0.02%	-0.02%	-0.02%
Barclays US Corp High Yield	0.97%	0.97%	0.97%
JPM Emerging Mkts Bond	1.25%	1.25%	1.25%
S&P Equity 500	1.76%	1.76%	1.76%
Russell 3000 All Cap	1.73%	1.73%	1.73%
Russell 2000 Small Cap	0.76%	0.76%	0.76%
NASDAQ Composite	2.58%	2.58%	2.58%
S&P Global BMI	1.84%	1.84%	1.84%
MSCI EAFE	1.78%	1.78%	1.78%
MSCI EAFE Small Cap	1.87%	1.87%	1.87%
MSCI Emerging Markets	2.19%	2.19%	2.19%

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