



# WEEKLY MARKET WRAP

## REVIEW & PREVIEW

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U.S. stocks were marginally lower on the week as the beginning of the fourth quarter's earnings season and political headlines captured investors' attention. Stocks dipped Thursday after President-elect Trump's Wednesday press conference, but advanced Friday on strong earnings reports from the banking sector. US 10-year Treasury note yields were steady at 2.42%.

- Economic update:** *The Producer Price Index* (PPI) rose 0.3% in December, matching consensus expectations. Producer prices are up 1.6% versus a year ago. Since bottoming in early 2016, energy prices have been a tailwind pushing goods prices steadily higher following more than eighteen months of near constant declines. *Retail Sales* rose 0.6% in December (+0.8% including revisions to prior months); almost exactly the consensus expected 0.7%. Retail sales are up 4.1% versus a year ago. *China's Producer Price Index* (PPI) rose at the fastest pace in more than five years for the month of December, much stronger than expected at 5.5% year over year compared to consensus of 4.6%, mainly due to a pick-up in mining and materials. These rising production costs for the "world's manufacturer" should start swinging global inflation higher as we start the new year.
- Trump comments affected drug stocks:** Investors reacted to President-elect Trump's first press conference since the election. Trump vowed to "create new bidding procedures for the drug industry", which he accused of "getting away with murder". Fortune calculated that the nine largest pharmaceutical firms declined by almost \$25 billion in market value following the comments, although stocks recouped some of their losses later in the week.
- Earnings updates:** On Friday Bank of America, JPMorgan Chase and Wells Fargo got things going with a set of mixed results. Bank of America and JPMorgan Chase topped bottom-line expectations while Wells Fargo reported below consensus.
- 10-year U.S. bonds fall to one-month low:** The yield on the benchmark 10-year Treasury, which hit a two-year high of 2.6% on Dec. 16 fell to a one-month low of 2.307% earlier Thursday. Still, the note's yield has jumped from 1.867%, where it settled on Election Day.
- European Central Bank (ECB) surprised investors:** ECB policy makers extended their massive bond-purchase program by a longer-than-expected nine months to support the Eurozone's €10 trillion (\$10.5 trillion) economy during a year of potential political upheaval.
- Brian's corner:** 2017 will mark the first year the oldest Baby Boomers must take Required Minimum Distributions out of their 401ks and IRAs. Boomers hold roughly \$10 trillion in tax-deferred savings.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	0.20%	0.37%	0.37%
Barclays Global Aggr Bond	0.48%	0.46%	0.46%
Barclays US Corp High Yield	0.20%	1.17%	1.17%
JPM Emerging Mkts Bond	0.17%	1.42%	1.42%
S&P Equity 500	-0.09%	1.67%	1.67%
Russell 3000 All Cap	0.00%	1.73%	1.73%
Russell 2000 Small Cap	0.37%	1.13%	1.13%
NASDAQ Composite	0.96%	3.57%	3.57%
S&P Global BMI	0.46%	2.31%	2.31%
MSCI EAFE	0.82%	2.61%	2.61%
MSCI EAFE Small Cap	0.47%	2.34%	2.34%
MSCI Emerging Markets	1.69%	3.92%	3.92%

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