



WEEKLY MARKET WRAP

REVIEW & PREVIEW

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The uncertainty around global markets reaction in the week of President Donald Trump's inauguration is behind us and the global markets showed little change as investors await more clear policy signals from the incoming U.S. administration. Equity markets fell slightly with the S&P 500 returning -0.1%. Equity returns appear to be normalizing after the first month of the "Trump Rally" where the S&P 500 returned 5.2%, but only 1.4% since. As of 1/20/2017, yields on the 2-year T-Note rate stand at 1.19% and the 10-year T-Note is at 2.47%, which is close to the level present when former President Barack Obama was first sworn in eight years ago.

- Economic update:** The *Consumer Price Index* (CPI) increased 0.3% in December, matching consensus expectations. The CPI is up 2.1% from a year ago, and pushed the twelve-month increase above the Fed's 2.0% target for the first time in more than two years. *Housing Starts* increased 11.3% in December to a 1.226 million annual rate, beating the consensus expected 1.188 million. Starts are up 5.7% versus a year ago and the increase was entirely due to multi-family units as single-family starts declined in December. However, in the past year, single-family starts are up 3.9% while multi-family starts are up 9.1. *Industrial production* increased 0.8% in December, beating the consensus expected gain of 0.6%. The increase was the largest monthly gain since 2014, reversing the November decline.
- Trump comments moves the dollar:** Mr. Trump said in an interview Tuesday that he viewed the U.S. dollar as being too strong. The currency market reacted and after climbing to its highest level in 14 years a couple of weeks ago, the U.S. dollar had its biggest daily decline in seven months versus a basket of other major currencies.
- Global growth forecast:** The International Monetary Fund's (IMF) revised global forecasts for growth included raising the U.S. expectations to 2.3% from 2.2% for 2017 and to 2.5% from 2.1% in 2018. The global growth outlook remained steady from October's estimates of 3.4% this year and 3.6% in 2018. The IMF estimates that the global economy expanded 3.1% in 2016.
- Global interest rates:** On Thursday, the European Central Bank (ECB) left its monetary policy unchanged and the president of ECB, Mario Draghi, said that interest rates will stay low or head even lower for an extended period. The Bank of Canada also decided to hold policy steady. The U.S. Federal Reserve chair, Janet Yellen, said Thursday that the Fed is close to its goals and that she expects to see hike rates "a few times" this year. Futures markets have two 25-basis-point hikes priced in at present. Yellen added that allowing the economy to run persistently hot would be risky and unwise.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays US Aggr Bond	-0.34%	0.03%	0.03%
Barclays Global Aggr Bond	-0.21%	0.25%	0.25%
Barclays US Corp High Yield	-0.06%	1.10%	1.10%
JPM Emerging Mkts Bond	-0.33%	1.09%	1.09%
S&P Equity 500	-0.13%	1.54%	1.54%
Russell 3000 All Cap	-0.26%	1.46%	1.46%
Russell 2000 Small Cap	-1.46%	-0.35%	-0.35%
NASDAQ Composite	-0.33%	3.22%	3.22%
S&P Global BMI	-0.34%	1.97%	1.97%
MSCI EAFE	-0.47%	2.13%	2.13%
MSCI EAFE Small Cap	-0.25%	2.09%	2.09%
MSCI Emerging Markets	-0.30%	3.61%	3.61%

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