



WEEKLY MARKET WRAP

REVIEW & PREVIEW

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Global equities sustained their advance on increasing evidence of improved US economic growth and rebounding inflation. Major US indices continued their rallies and set new record highs during the week. Treasury prices dropped slightly over the course of the week as investors speculated that the Federal Reserve is more likely to raise rates during the March meeting than previously thought. Oil prices dipped, with crude at \$53.50 a barrel versus \$54.10 last week. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), edged up to 12 from 10.9.

- Economic data:** The *Producer Price Index* (PPI) rose 0.6% in January, coming in above the consensus expected increase of 0.3%. This was the largest single-month increase since 2013 and the fastest monthly pace in more than four years. The *Consumer Price Index* (CPI) increased 0.6% in January, coming in above the consensus expected increase of 0.3%. The CPI is up 2.5% from a year ago. *Retail sales* rose 0.4% in January, beating the consensus expected 0.1% gain. Overall, retail sales are up 5.6% in the past year, the best reading since March 2012. *Industrial production* declined 0.3% in January, falling short of the consensus expected 0.0%. *Housing starts* declined 2.6% in January to a 1.246 million annual rate, beating the consensus expected 1.226 million. Starts are up 10.5% versus a year ago.
- Equity:** The S&P 500 slipped, snapping a seven-day winning streak that was the index's longest since 2013. Prior to Thursday, the S&P 500, the Dow and the NASDAQ Composite had closed at record highs for five consecutive trading sessions.
- Fixed income:** Last week's Congressional testimony from Fed Chair Janet Yellen was a market catalyst. Treasury prices dropped slightly over the course of the week as investors speculated that the Fed is more likely to raise rates during the March meeting than previously thought. March rate hike probabilities popped from 35% Monday to 50% on Wednesday to end the week at 40%. By the end of the week, the yield of the 10-year U.S. Treasury bond closed slightly higher than the week before, 2.42%.
- Earnings:** With about 75% of S&P 500 companies having reported, aggregate earnings are up 5.2% year over year while revenues have grown 4.3%.
- Political news:** Markets are still waiting expectantly for Trump's "phenomenal" tax plan and whether or not it will include a border adjustment tax (BAT).

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	-0.02%	0.44%	0.44%
Barclays Global Aggr Bond	0.15%	0.89%	0.89%
Barclays US Corp High Yield	0.20%	2.20%	2.20%
JPM Emerging Mkts Bond	-0.17%	2.63%	2.63%
S&P Equity 500	1.60%	5.32%	5.32%
Russell 3000 All Cap	1.48%	5.25%	5.25%
Russell 2000 Small Cap	0.82%	3.27%	3.27%
NASDAQ Composite	1.88%	8.64%	8.64%
S&P Global BMI	1.20%	5.52%	5.52%
MSCI EAFE	0.86%	4.35%	4.35%
MSCI EAFE Small Cap	1.03%	5.62%	5.62%
MSCI Emerging Markets	0.97%	8.97%	8.97%

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