



WEEKLY MARKET WRAP

REVIEW & PREVIEW

February 28, 2017

VOLUME 24, ISSUE 9

Stocks moved steadily higher for the fifth consecutive week. The S&P 500 Index rose 0.7% and it is up over 6% for the year. At the same time, the Dow Jones Industrial Average ended the week with its 11th straight days of gains. The February Fed minutes that were released last week did not significantly affect the probability of a March rate hike, which remains below 40%. The yield on the 10-year US Treasury bond fell to 2.34%, as of early Friday morning. Oil prices remained relatively unchanged this week.

- Economic data:** *Existing Home Sales* increased 3.3% in January to a 5.69 million annual rate, beating the consensus expected 5.55 million. Sales are up 3.8% versus a year ago. *New Single-Family Home Sales* increased 3.7% in January to a 555,000 annual rate, falling below the consensus expected pace of 571,000. Sales are up 5.5% from a year ago. *Real* (adjusted for inflation) *Average Hourly Earnings* were unchanged from January 2016 to January 2017. Before adjusting for inflation, average hourly earnings increased 2.5 percent over the 12 months ending in January 2017. Over the same period, the *Consumer Price Index* for all Urban Consumers (CPI-U), which is used to adjust average hourly earnings for inflation, also increased 2.5 percent. The Eurozone's economic recovery seemingly took a significant turn for the better in February with the *Eurozone PMI* at 56.0, comfortably above market expectations.
- Equity:** Last year's outperformance by U.S. value stocks relative to their growth-oriented counterparts is not carrying through into 2017. Growth stocks have retaken the lead, with the Russell 1000 Growth Index up 7.7% year to date compared with the Russell 1000 Value Index's gain of 4.0%. Recent gains have sent stock prices to lofty heights relative to recent earnings levels. As of Wednesday, companies in the S&P 500 were trading around 22 times their past 12 months of earnings, above their 10-year average of 15.8.
- Fixed income:** In minutes released last week, US Federal Reserve officials signaled the potential for a rate hike at its next policy meeting in March. Citing potentially increased spending and reduced taxation under the Trump administration, the minutes suggest that the Fed may act more aggressively to keep a lid on inflation.
- Earnings:** With the vast majority of companies in the S&P 500 having reported so far, fourth-quarter earnings are expected to rise by 4.6% from the same period a year earlier. That is above the 3.2% gain that analysts had expected at the end of 2016.
- Political news:** U.S. tax reform returned to the headlines after Trump and senior officials sent conflicting signals on key elements of the plan.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	0.62%	1.06%	1.06%
Barclays Global Aggr Bond	0.56%	1.46%	1.46%
Barclays US Corp High Yield	0.52%	2.73%	2.73%
JPM Emerging Mkts Bond	0.88%	3.53%	3.53%
S&P Equity 500	0.73%	6.09%	6.09%
Russell 3000 All Cap	0.58%	5.86%	5.86%
Russell 2000 Small Cap	-0.36%	2.89%	2.89%
NASDAQ Composite	0.13%	8.78%	8.78%
S&P Global BMI	0.26%	5.79%	5.79%
MSCI EAFE	-0.14%	4.21%	4.21%
MSCI EAFE Small Cap	-0.32%	5.28%	5.28%
MSCI Emerging Markets	0.51%	9.52%	9.52%

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