



# WEEKLY MARKET WRAP

## REVIEW & PREVIEW

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The U.S. equity market fell for the second consecutive week as political headwinds sent stocks to its worst daily loss of the year and the CBOE Volatility Index spiked over 46% and closed at 15.6 on Wednesday. However, market worries were short lived and investors stepped back into the market on Thursday and Friday, which sent stock prices back to near record highs. All domestic fixed income sectors posted positive total returns, but underperformed similar-duration Treasuries. The risk-off sentiment hurt all non-Treasury sectors, with preferred securities declining the most. The Global Aggregate Index generated the strongest total returns of the week based on outperformance by the Pan-European region.

- Economic Data:** *Housing Starts* declined 2.6% in April to a 1.17 million annual rate, below the consensus expected 1.26 million. Starts are up 0.7% versus a year ago. The decline in starts was due entirely to a drop in multi-family starts. Single-family starts rose in April. In the past year, single-family starts are up 8.9% while multi-family starts are down 15.1%. *Industrial Production* increased 1.0% in April; easily beating the consensus expected gain of 0.4%. *Initial Jobless Claims* were slightly higher, but the overall unemployment rate is still at a historically low level of 4.4%.
- Equity:** After a mid-week plunge, stocks ended a turbulent week lower as investors weighed another political setback for the Trump administration versus continued strong corporate fundamentals. Oil prices surged, climbing back above the \$50-a-barrel level for the first time in a month and providing support to energy stocks. The latest price gains were driven by expectations of further production cuts by major oil-producing nations. The U.S. dollar extended its recent slide relative to a basket of major foreign currencies. While the dollar rallied in the wake of the U.S. election in November, it has since given back all those postelection gains.
- Earnings:** Fundamentals seem to be on track as the S&P 500 grew earnings by 13.9% in the quarter, with 95% of names reporting.
- Fixed Income:** The risk-off sentiment hurt all non-Treasury sectors, with preferred securities declining the most. The high yield corporate sector was resilient and experienced only modest declines. As fundamentals for the high yield universe have improved, the number of issuers upgraded to investment grade has been greater than the number downgraded to high yield. While investors shunned domestic non-Treasury sectors, they supported non-U.S. fixed income markets. The Global Aggregate Index generated the strongest total returns of the week based on outperformance by the Pan-European region.
- Political and Policy News:** The Justice Department appointed a former FBI Director, Robert Mueller, to look into the supposed ties between Russia and the Trump campaign.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	0.48%	1.22%	2.05%
Barclays Global Aggr Bond	1.36%	2.16%	3.96%
Barclays US Corp High Yield	0.25%	1.61%	4.35%
JPM Emerging Mkts Bond	0.13%	1.92%	5.89%
S&P Equity 500	-0.32%	1.10%	7.24%
Russell 3000 All Cap	-0.35%	0.87%	6.67%
Russell 2000 Small Cap	-1.09%	-1.21%	1.23%
NASDAQ Composite	-0.55%	3.10%	13.54%
S&P Global BMI	0.11%	2.82%	9.96%
MSCI EAFE	0.98%	5.78%	13.45%
MSCI EAFE Small Cap	0.84%	6.81%	15.32%
MSCI Emerging Markets	-0.63%	4.14%	16.06%

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