



WEEKLY MARKET WRAP

October 3, 2017

VOLUME 24, ISSUE 38

The U.S. equity market surged to new record highs as the latest tax reform proposal provided a boost to investor sentiment. Market leadership shifted with emerging markets reporting negative weekly numbers, while the Russell 2000 index was up 2.83%, an all-time high, and bank stocks in the Financial sector rallied. U.S. 10-year Treasuries sold off, pushing the benchmark 10-year yield to 2.26%. The U.S. Aggregate index lost 0.10% and the Global Aggregate index was down 0.67%. The U.S. Dollar index bounced back and rose 1.2% as markets continue to price in a Fed rate hike in December. The Euro weakened 1.1% off weaker than market expected Euro area inflation.

- Economic Data:** *New single-family home sales* fell 3.4% in August to a 560,000 annual rate, below the consensus expected 585,000. Sales are down 1.2% from a year ago. The *months' supply of new homes* rose to 6.1 months in August from 5.7 months in July. Nearly all major categories showed rising orders as *new orders for durable goods* rose 1.7% in August, beating the consensus expected rise of 1.0%. Orders are up 5.1% from a year ago. *Real GDP growth* for the 2nd quarter was higher than previously reported and revised up to 3.1% annual rate versus a prior estimate of 3.0%. "*Core*" *real GDP* rose at a healthy 3.2% annual rate in the second quarter and is up at a 2.6% annual rate in the past two years. *Personal income* rose 0.2% in August, matching consensus expectations. Personal income is up 2.8% in the past year, while spending is up 3.9%. The overall *PCE deflator* (consumer inflation) rose 0.2% in August and is up 1.4% versus a year ago. The "core" PCE deflator, which excludes food and energy, rose 0.1% in August and is up 1.3% in the past year.
- Equity:** The S&P 500 index was up 0.72%, another record high, while the MSCI Emerging Markets index ended the week down 1.8% after a stronger U.S. Dollar and growing expectations of rising U.S. interest rates weighed on foreign markets. Several EM central banks met this week, and each left policy unchanged. Brent crude oil hit a two-year high, rising 1.2% on the week, buoyed by optimistic commentary at Asia's top energy conference. OPEC continues to cut output as it carries through on a reduction agreement, but questions remain whether U.S. shale producers will ramp up production fast enough to supply the market, now that prices are above \$50 a barrel.
- Fixed Income:** U.S. 10-year Treasuries sold off, pushing the benchmark 10-year yield to 2.26%, as U.S. President Trump's proposed tax cuts spurred debate over a growing federal deficit's implications for debt issuance. Meanwhile, European yields also rose on the week, with the German 10-year Bund rising to 0.45%, despite some downward pressure from a weak inflation reading.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	-0.10%	0.85%	3.14%
Barclays Global Aggr Bond	-0.67%	1.76%	6.25%
Barclays US Corp High Yield	0.30%	1.98%	7.00%
JPM Emerging Mkts Bond	-0.09%	2.38%	8.73%
S&P Equity 500	0.72%	4.48%	14.24%
Russell 3000 All Cap	0.89%	4.57%	13.91%
Russell 2000 Small Cap	2.83%	5.67%	10.94%
NASDAQ Composite	1.09%	6.06%	21.67%
S&P Global BMI	0.27%	5.42%	17.81%
MSCI EAFE	-0.02%	5.40%	19.96%
MSCI EAFE Small Cap	0.56%	7.46%	25.42%
MSCI Emerging Markets	-1.83%	7.89%	27.78%

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