



# WEEKLY MARKET WRAP

December 12, 2017

VOLUME 24, ISSUE 47

The U.S. Equity market, S&P 500, posted gains (0.39%) and was up for the third consecutive week as the strong U.S. jobs report sent equity prices back near record highs. The market leaders were in the industrial and financial sectors, while the market laggards were in utilities and real estate. Outside the U.S., both European and EM markets traded lower. Total returns for domestic fixed income sectors were mixed and the Global Aggregate Index posted the lowest total return, dragged down by the Pan-European region.

- Economic Data:** The *ISM non-manufacturing index* declined to 57.4 in November, coming in below the consensus expected 59.0, but it shows how far the economy has come when a robust reading for the *ISM Services index* is a disappointing number. The *new orders index* fell to 58.7 from 62.8 in October, while the *supplier deliveries index* declined to 54.0 from 58.0. The *employment index* moved lower to 55.3 from 57.5 in October, and the *business activity index* fell to 61.4 from 62.2. The labor market picture keeps getting brighter for American workers as *nonfarm payrolls* rose 228,000 in November, beating the consensus expected 195,000. *Average hourly earnings* rose 0.2% in November and are up 2.5% versus a year ago. The *trade deficit* in goods and services came in at \$48.7 billion in October, larger than the consensus expected \$47.5 billion. In the last year, exports are up 5.6% while imports are up 7.0%. *China General Services PMI* rose from 51.2 in October to 51.9 in November, helping the composite index advancing from a 16-month low.
- Equity:** Equities opened higher on Monday after the Senate passed the Tax Cuts and Jobs Act of 2017 over the weekend. Stocks then retreated for four consecutive days before ending the week slightly positive. Europe and EM posted negative returns while the S&P Global BMI was close to flat for the week.
- Fixed Income:** U.S. Treasury yields moved slightly higher for all maturities last week, led by 5-year maturities. Progress on the U.S. budget and Brexit negotiations lifted rates, while the Trump Administration's recognition of Jerusalem as the Israeli capital pushed rates lower. Friday's payroll report reinforced current U.S. interest rate trends and the Fed is widely expected to raise rates by 25 basis points this week. The Brazilian central bank (BCB) cut its benchmark rate by 50 basis points to 7%; the move was in line with expectations.
- Political and Policy News:** On Friday, the U.K. and the European Union reached an agreement that clears the way for the second phase of the Brexit negotiations, which will spell out the terms of the U.K.'s exit from the EU.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	-0.02%	1.05%	3.34%
Barclays Global Aggr Bond	-0.47%	2.04%	6.54%
Barclays US Corp High Yield	0.05%	2.20%	7.24%
JPM Emerging Mkts Bond	0.06%	2.47%	8.82%
S&P Equity 500	0.39%	10.41%	20.72%
Russell 3000 All Cap	0.26%	10.15%	19.99%
Russell 2000 Small Cap	-0.97%	8.08%	13.47%
NASDAQ Composite	-0.10%	11.93%	28.40%
S&P Global BMI	0.03%	9.35%	22.20%
MSCI EAFE	0.09%	7.35%	22.17%
MSCI EAFE Small Cap	-0.24%	9.81%	28.16%
MSCI Emerging Markets	-0.45%	10.91%	31.36%

Robert Klefsaas, CFP®, AIF®, CFDA®	CEO, Sr. Wealth Manager
Brian Senske, MA	CFO, COO, Sr. Wealth Mgr
J. Alexander Källebo, CFA®	Portfolio Manager
Matt Berhow CFP®, AIF®	Senior Wealth Manager
David Osterberg, CPA	Tax Advisor
Brady Mickolich CFP®	Associate Wealth Manager
Paula Zilka	Operations Manager
Kaitlin Buckley	Client Service Associate
Ashley Kading	Executive Assistant
Bill Ristvedt	PCWM
Zhaoren Chen	Intern #99

*Advisory services are offered through All Star Financial, a SEC Registered Investment Advisor.*

