



# WEEKLY MARKET WRAP

December 19, 2017

VOLUME 24, ISSUE 48

The U.S. Equity market rallied for the fourth consecutive week on tax reform optimism and increased M&A news. Major stock indices set new record highs, as investors remained bullish heading into year-end. Global equity indices also edged higher led by emerging markets. Long maturity U.S. Treasury yields declined, while shorter maturity rates edged higher. This resulted in yet another week of yield curve flattening. The Fed hiked rates again, marking the third increase of the federal funds rate target in 2017 and the fifth rate rise of this hiking cycle. The Global Aggregate Index posted a solid total return based on strength in the Asian-Pacific region.

- Economic Data:** The *Consumer Price Index (CPI)* rose 0.4% in November, matching consensus expectations. The CPI is up 2.2% from a year ago. *The "core" CPI*, which excludes food and energy, increased 0.1% in November, below the consensus expected rise of 0.2%. Core prices are up 1.7% versus a year ago. *Real average hourly earnings*, the cash earnings of all workers, adjusted for inflation, declined 0.2% in November, but are up 0.2% in the past year. A sign the economy continues to pick up steam is that *retail sales* increased 0.8% in November, beating the consensus expected 0.3% gain. Retail sales are up 5.8% versus a year ago. Sales excluding autos rose 1.0% in November, beating the consensus expected 0.6% gain and are up 5.7% year over year. Internet, mail order and gas stations led the November rise in sales. *The Producer Price Index (PPI)* increased 0.4% in November, above the consensus expected rise of 0.3%. Producer prices continued to rise in November and are up more than 3% in the past year, the largest twelve month increase since 2012. In the past year, prices for goods are up 4.2%, while prices for services are up 2.4%. *Industrial production* increased 0.2% in November versus a consensus expected 0.3%. *Overall capacity utilization* increased to 77.1% in November from 77.0% in October. *Manufacturing capacity utilization* rose to 76.4% in November from 76.3% in October.
- Equity:** The U.S. Equity Market rallied for the fourth consecutive week on tax reform optimism and increased M&A news. Major stock indices set new record highs this week, as investors remained bullish heading into year-end. The best performing sectors were Telecom and Info Tech, while Utilities and Materials were the laggards.
- Fixed Income:** The Fed raised rates 25 bps to a range of 1.25% to 1.5%, increased 2018 economic growth projections and expects to raise rates three times in 2018. China's central bank surprisingly lifted its benchmark interest rate slightly, 0.05%, for the first time since March 2017.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	0.29%	1.34%	3.64%
Barclays Global Aggr Bond	0.35%	2.39%	6.91%
Barclays US Corp High Yield	0.03%	2.23%	7.27%
JPM Emerging Mkts Bond	0.38%	2.85%	9.23%
S&P Equity 500	0.95%	11.45%	21.86%
Russell 3000 All Cap	0.84%	11.08%	21.00%
Russell 2000 Small Cap	0.61%	8.75%	14.17%
NASDAQ Composite	1.43%	13.53%	30.23%
S&P Global BMI	0.60%	10.01%	22.94%
MSCI EAFE	0.14%	7.50%	22.34%
MSCI EAFE Small Cap	0.45%	10.30%	28.74%
MSCI Emerging Markets	0.71%	11.70%	32.29%

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.

