1300 NW Briarcliff Pkwy, Ste. 120
Kansas City, MO 64150
913.948.6770
816.399.0787

Weekly Market Update, January 16, 2018
Presented by **Bruce Cramer**

General market news

- The yield on the 10-year Treasury opened at 2.55 percent on Monday morning, up from 2.40 percent, where it started the year, but below its recent high of 2.59 percent. As actions by the Federal Reserve (Fed) continue to affect the short end of the yield curve, the longer end has stayed quite stable. The 30-year remains well below 3 percent at 2.83 percent, while the 2-year is now above 2 percent.
- U.S. markets continued their strong start to 2018. On the back of synchronized global growth and positive investor sentiment, all three major U.S. indices posted gains greater than 1.6 percent. Strong December retail sales and a hawkish tone from the European Central Bank minutes, both released last week, supported the global growth theme that has played out through the start of the year. Strong holiday sales favored stocks such as Target Corporation (TGT) and Kohl's Corporation (KSS). The top-performing sectors for the week included industrials, energy, and consumer discretionary. Meanwhile, the bond proxies—the REIT, telecom, and utilities sectors—lagged.
- This week also kicked off earnings season. A number of large financial companies reported, including JPMorgan Chase & Co. (JPM), Wells Fargo & Co. (WFC), BlackRock, Inc. (BLK), and PNC Financial Services (PNC). All beat their earnings estimates, but Wells Fargo's legal expenses from the prior year continued to weigh on revenues.
- Last week was relatively quiet in terms of economic news, with only three major data releases. On Thursday, the Producer Price Index came in below expectations, showing 2.3-percent growth on an annualized basis. This measure of producer inflation also declined on a month-over-month basis.
- On Friday, the Consumer Price Index beat expectations by growing at a 1.8-percent annual rate. Both of these measures of inflation remain near the Fed's stated 2-percent target.
- Also on Friday, December retail sales remained strong, with 0.4-percent growth on a month-over-month basis. Given the strength of this figure, overall fourth-quarter growth may have been faster than previously expected.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.61%	4.28%	4.28%	25.19%
Nasdaq Composite	1.75%	5.21%	5.21%	32.32%
DJIA	2.02%	4.44%	4.44%	32.85%
MSCI EAFE	1.20%	3.68%	3.68%	27.33%
MSCI Emerging Markets	0.61%	4.32%	4.32%	38.18%
Russell 2000	2.06%	3.70%	3.70%	18.52%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.50%	–0.50%	2.64%
U.S. Treasury	–0.67%	–0.67%	1.21%
U.S. Mortgages	–0.38%	–0.38%	2.00%
Municipal Bond	–0.46%	–0.46%	3.75%

Source: Morningstar Direct

What to look forward to

This week’s economic news will offer a look across the economy.

The industrial production report will be released on Wednesday. It is expected to show that growth ticked up from 0.2 percent in December to 0.4 percent in January on increased drilling and oil production. Manufacturing growth also is expected to tick up, from 0.2 percent in December to 0.3 percent in January, on strong global demand. There may be some downside risk in these estimates, after strong growth in recent months. Even if there is a slowdown, however, the overall trend remains positive.

Turning to housing, the National Association of Home Builders survey of homebuilder confidence also will be released on Wednesday. It is expected to drop slightly, from 74 in November—which was close to a 19-year high—to a still-strong 72, as demand for housing remains solid and prices continue to rise. Housing starts, released on Thursday, are expected to drop back to 1.27 million in December from 1.297 million in November. This slight pullback would signal that the industry remains healthy, despite shortages of labor, land, and materials.

Finally, on Friday, the University of Michigan consumer confidence survey is expected to rebound from 95.9 in December to 97.0 in January. The record stock market and strong job growth are expected to drive confidence higher. Historically, this level of confidence has indicated continued growth.

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Disclosures: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million.*

Bruce Cramer is a financial advisor located at Cramer Capital Management 1300 NW Briarcliff Parkway, Kansas City, MO 64152. He offers securities and advisory services as an Investment Adviser Representative of Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. He can be reached at 913-948-6770 or at bruce@cramercapitalmanagement.com .

Authored by the Investment Research team at Commonwealth Financial Network.