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

Weekly Market Update, January 2, 2018
Presented by **Bruce Cramer**

General market news

- Early Monday morning, the yield on the 10-year Treasury opened at 2.41 percent and the 30-year opened at 2.79 percent. The yield curve started 2018 significantly flatter than it did one year ago. The spread between the 3-month and 30-year Treasury rates fell from 2.52 percent to 1.46 percent over the course of 2017.
- In last week's holiday-shortened week, U.S. markets finished modestly lower in lighter trading. The Nasdaq Composite posted the largest decline with a loss of 0.79 percent, as lower-than-expected iPhone sales weighed on Apple and the technology-focused index. The news also affected the S&P 500, as it posted a loss of 0.33 percent and was range-bound for much of the week. The Dow Jones posted the top performance of the three major U.S. indices, but it still declined 0.14 percent.
- On a sector basis, real estate, utilities, and industrials were among the top performers on the week, while telecom, financials, and technology were the notable detractors.
- International markets finished their year of strong performance last week with the MSCI EAFE Index up 0.95 percent and the MSCI Emerging Markets Index up 1.56 percent.
- There was only one major data point released last week. On Wednesday, the Consumer Confidence Survey surprised by declining by more than expected. This confidence measure was expected to decline to 128 points but fell to 122.1 points. The drop was largely due to differing opinions between Republicans and Democrats regarding their expectations for the economy in 2018.

Equity Index	**Week-to-Date**	**Month-to-Date**	**Year-to-Date**	**12-Month**
S&P 500	–0.33%	1.10%	21.82%	21.82%
Nasdaq Composite	–0.79%	0.50%	29.73%	29.73%
DJIA	–0.14%	1.92%	28.11%	28.11%
MSCI EAFE	0.95%	1.63%	25.69%	25.69%
MSCI Emerging Markets	1.56%	3.49%	37.51%	37.51%
Russell 2000	–0.42%	–0.41%	14.63%	14.63%

Source: Bloomberg

Fixed Income Index	**Month-to-Date**	**Year-to-Date**	**12-Month**
U.S. Broad Market	0.46	3.54	3.09
U.S. Treasury	0.31	2.31	1.67
U.S. Mortgages	0.33	2.47	2.07
Municipal Bond	1.05	5.45	2.81

Source: Morningstar Direct

What to look forward to
The week ahead will be very busy for data releases and will give us a wide-ranging look at the economy.

On Wednesday, the Institute for Supply Management (ISM) will release its manufacturing survey, which is expected to tick down slightly from 58.2 to 58.0. This is a diffusion index where values above 50 signal expansion. So, even with the expected minor pullback, this would still be a very positive signal, indicating continued manufacturing strength driven by a weak dollar and strong global growth.

Also on Wednesday, the minutes from the Federal Open Market Committee (the Fed) meeting on December 13 will be released. Markets will be watching closely to see what they can learn about the recent tax reform legislation and what it might mean for interest rates in 2018. Markets will also watch how the Fed is looking at inflation, which continues to run below expectations.

On Friday, three reports will be released. First up—and most important—is the employment report. It's expected to tick down from 228,000 in November, which included a rebound from the hurricanes, to a more normalized 185,000, which would remain robust. This should take the unemployment rate down from 4.1 percent to 4 percent, while average hours worked should remain at a healthy 34.5 hours per week. Wage growth is expected to accelerate a bit, from 0.2 percent to 0.3 percent. If the numbers come in as expected, this would be a very positive data point indicating continued growth.

Next up will be the U.S. international trade gap report, where the trade deficit is expected to improve slightly from $48.7 billion to $47.4 billion. This would still indicate that trade was a drag on growth in the fourth quarter, however, and the risk appears to be to the downside.

Finally, the ISM's Nonmanufacturing index is expected to tick down from 57.4 in November to 57.3 for December. Similar to the ISM Manufacturing survey, this small decline would keep business confidence at high levels, and it would be a signal of continued expansion.

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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.