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**Weekly Market Update, November 20, 2017**  
*Presented by Bruce Cramer*

**General market news**

- The yield on the 10-year Treasury opened at 2.34 percent on Monday. This was in line with where it had spent last week, after coming down from 2.41 percent the previous week. The Federal Reserve (Fed) appears likely to raise the federal funds rate in December and has also committed to raising rates in 2018. So, we could see the yield curve continue to flatten as the spread between long-term and short-term rates narrows.
- U.S. markets were mixed last week. The Nasdaq Composite gained 0.54 percent, but the S&P 500 Index and the Dow Jones Industrial Average posted losses of 0.06 percent and 0.19 percent, respectively. Top-performing sectors on the week included telecom, consumer discretionary, consumer staples, as Walmart beat earnings and saw progress through its ongoing digital push. The worst-performing sectors included energy, industrials, and real estate.
- The early part of the week saw some risk-off trading, as concerns over tax reform and market valuations returned. On Wednesday, the S&P 500 snapped its streak of 50 consecutive trading days without a daily loss of 0.5 percent or more. This was the longest such streak since 1965. Contrary to sentiment earlier in the week, the House passed its proposed tax reform legislation on Thursday. The Senate Finance Committee advanced its own piece the same night and expects a vote next week. There was a change from the initial bill pushed ahead by the Senate; the new bill now includes a repeal of the Affordable Care Act.
- Other news from Senate included the tentative bipartisan agreement to relax some of the post-financial crisis regulations that aimed to mitigate the damage banks could cause to the economy if another financial crisis were to occur.
- A number of important economic data points were released last week. On Tuesday, Producer Price Index data for October came in slightly higher than expected. The following day, however, Consumer Price Index data for the same period disappointed, showing just 0.1-percent growth month-over-month. We don't believe these lower-than-expected results will affect the Fed's decision to increase rates at its next meeting.
- Released Wednesday, retail sales showed modest growth, with a 0.2-percent month-over-month bump. This was slightly above expectations.
- On Friday, we got a look at housing. Housing starts and building permits both beat expectations, with housing starts notching a 13.7-percent monthly gain. Housing supply remains near multidecade lows, so this development is very positive for this important sector of the economy.

<b>Equity Index</b>	<b>Week-to-Date</b>	<b>Month-to-Date</b>	<b>Year-to-Date</b>	<b>12-Month</b>
S&P 500	-0.06%	0.31%	17.27%	20.32%
Nasdaq Composite	0.54%	0.95%	27.33%	28.67%
DJIA	-0.19%	0.14%	20.76%	26.55%
MSCI EAFE	-0.57%	-0.66%	21.55%	25.56%
MSCI Emerging Markets	0.72%	1.58%	34.70%	37.64%
Russell 2000	1.23%	-0.59%	11.22%	15.51%

*Source: Bloomberg*

<b>Fixed Income Index</b>	<b>Month-to-Date</b>	<b>Year-to-Date</b>	<b>12-Month</b>
U.S. Broad Market	0.24%	3.20%	2.71%
U.S. Treasury	0.25%	2.28%	1.51%
U.S. Mortgages	0.16%	2.28%	1.67%
Municipal Bond	-0.14%	5.15%	4.79%

*Source: Morningstar Direct*

## **What to look forward to**

This week will be a relatively slow and short one for economic data, given the Thanksgiving holiday.

On Tuesday, the existing home sales report is expected to increase from 5.39 million sales in September to 5.42 million in October. Although this would be an improvement, it would be off the pace from a year ago—the first time that’s happened in 15 months. Lack of supply remains an issue, and there are signs that affordability also may be a rising problem. But if these numbers come in as expected, it would be a positive economic signal.

On Wednesday, the durable goods orders report is expected to fare well, with the headline figure showing strong 0.5-percent growth for October. Although this would be down from 2-percent growth in September, September benefited from a spike in aircraft orders, which are extremely volatile. The core figure, which excludes transportation, is expected to grow 0.4 percent for October. This would be down from a 0.7-percent gain in September but still healthy. If the numbers come in as expected, they would indicate continued growth in business investment.

Finally, we'll see the minutes from the last Federal Open Market Committee meeting held November 1, 2017. Analysts will be looking for signs of a December rate hike, which markets are expecting, as well as some guidance on interest rates next year. Markets will pay particular attention to all comments related to inflation and growth.

**Brad McMillan, Senior Vice President, Chief Investment Officer, at Commonwealth, provides our advisors and their clients with market insights and analysis to help inform their investment decisions.**

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Authored by the Investment Research team at Commonwealth Financial Network.

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