CRAMER CAPITAL MANAGEMENT, LLC

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

Weekly Market Update, November 6, 2017
Presented by **Bruce Cramer**

General market news

- The 10-year Treasury opened at 2.32 percent early Monday after reaching as high as 2.47 percent a little more than a week ago. The 30-year was also back to 2.80 percent after almost reaching 3 percent. The 2-year opened at 1.61 percent on Monday, moving up from 1.45 percent in the last month. The yield curve is the flattest it has been since 2007.
- All three major U.S. indices were higher on the week. The Nasdaq Composite Index posted the largest gain of 0.96 percent. The Dow Jones Industrial Average and S&P 500 followed with gains of 0.45 percent and 0.29 percent, respectively.
- There were a number of large stories domestically last week, including the nomination of Jerome Powell as the new Federal Reserve (Fed) chair. The market yielded little reaction to the selection, as Powell's nomination was widely expected, and his dovish policy is similar to that of Janet Yellen, the current chair. If approved, Powell would assume the position February 4, 2018.
- The GOP unveiled its tax-reform plan last week, which proposed a 20-percent corporate tax rate. The new proposal came at the cost of lowering home mortgage deduction limits, partially eliminating state and local tax deductions, and reeling in corporate interest-cost deductions. Certain areas of the market, such as homebuilder stocks, reacted to these proposed policies by trading down significantly. With opposition from many Democrats and some Republicans, it remains to be seen whether the bill will pass.
- The Fed kept rates unchanged for November but suggested that a rate hike would be likely in December.
- Turning to international news, **Bank of England Governor Mark Carney** elected to raise the bank's borrowing rate from 0.25 percent to 0.50 percent last week, representing the first increase in more than a decade. The move is expected to reel in inflation after the Brexit vote.
- There were a number of important data point releases last week related to business confidence and hiring. On Wednesday, the ISM Manufacturing index declined slightly; on Friday, the ISM Nonmanufacturing index increased slightly, despite expectations for a decline. Both measures of business confidence are near post-recession highs.
- Also on Friday, the October employment report was released. The headline and underlying numbers were reasonably strong, with 261,000 new jobs created. Wage growth and participation disappointed; however, these figures may be due to some lingering effects from the hurricanes.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.29%	0.51%	17.50%	26.42%
Nasdaq Composite	0.96%	0.55%	26.82%	35.26%
DJIA	0.45%	0.69%	21.42%	34.51%
MSCI EAFE	0.92%	0.31%	22.71%	25.44%
MSCI Emerging Markets	1.46%	0.64%	33.45%	30.60%
Russell 2000	–0.87%	–0.51%	11.31%	30.94%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.15%	3.36%	0.90%
U.S. Treasury	0.19%	2.33%	–0.78%
U.S. Mortgages	0.11%	2.40%	0.55%
Municipal Bond	0.12%	5.05%	2.14%

Source: Morningstar Direct

What to look forward to

After a busy week last week, this week will be very slow on the economic news front. We expect only one major release.

On Friday, the University of Michigan consumer sentiment index is expected to pull back slightly. After reaching the highest level in a decade at 100.7, expectations are for a small drop to 100, which would still be quite high. Given the strong performance of the stock market and gas prices dropping as the hurricane price spike winds down, there may be some upside risk here. In any event, if the data comes in as expected, it would signal continued economic strength.

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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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.