



Weekly Recap

January 20, 2017

Market Returns

INDEX ¹	CLOSE	WEEKLY CHG	YEAR-TO-DATE CHG	ANNUAL CHG
Dow Jones Industrial Avg	19,827.25	-58.48 / -0.29%	0.33%	25.75%
S&P 500®	2,271.31	-3.33 / -0.15%	1.45%	22.16%
NASDAQ	5,555.33	-18.78 / -0.34%	3.20%	24.23%
NASDAQ 100	5,063.20	3.69 / 0.07%	4.10%	22.41%
Russell Midcap®	1,814.53	-3.62 / -0.20%	1.72%	27.00%
Russell 2000®	1,351.85	-20.20 / -1.47%	-0.39%	35.28%

	01/20/17 CLOSE	01/20/16 CLOSE
10-Year U.S. Treasury	2.48%	2.01%

Data: Bloomberg

Headlines This Week

Consumer Price Index (“CPI”) (+0.3%) • (For: Dec 2016 • Source: U.S. Department of Labor)

Following November’s 0.2% gain, consumer prices rose primarily due to higher energy prices. Year-over-year, headline and core CPI rose 2.1% and 2.2%, respectively.

Housing Starts (+11.3%) • (For: Dec 2016 • Source: U.S. Census Bureau)

After decreasing 16.5% in November, housing starts rebounded as condo groundbreakings surged 53.9%. Permits, an indication of future activity, fell 0.2% after decreasing 3.8% in November.

Industrial Production (+0.8%) • (For: Dec 2016 • Source: Federal Reserve Board of Governors)

Following November’s 0.7% decline, industrial production rose at the fastest pace since Nov 2014; utilities and manufacturing output grew while mining activity was flat. Capacity utilization rose from 74.9% to 75.5%.

Looking Ahead

Next week’s primary economic reports include:

Tuesday, January 24	Existing Home Sales (Dec)
Thursday, January 26	New Home Sales (Dec)
Friday, January 27	Durable Goods Orders (Dec)
	GDP (Q4 2016)

Markets rose on Friday, inauguration day, to pare losses for the holiday-shortened week. All major indices continue to trade sideways since the post-election rally. Over the last month, the day-to-day changes in the S&P 500® Index have stayed within one percentage point while the Dow Jones Industrial Average has stalled just shy of reaching 20,000. Investors are apparently waiting for clarity on the new administration's policies and priorities. Assets and sectors that rallied sharply on the expectations for tax cuts, spending increases, and lower regulation have since waned. *Financials* and *Energy*, the two best-performing sectors in the Election Day to year-end period (gaining over 16% and 8%, respectively), are down slightly year-to-date. The U.S. dollar, which soared to 14-year highs on the expectations of higher growth and inflation, has weakened 1.3% this year. Meanwhile, government bond yields have stabilized after rising sharply last fall. Yields on the benchmark 10-year U.S. Treasury Note closed at 2.47%, near the 2.45% level at year-end. Elsewhere, the light economic calendar included a recovery in industrial production following last months' decline and rebound in housing starts.

Thus far, 63 companies in the S&P 500® Index have reported fourth quarter earnings results; of these, 46% have exceeded sales estimates and 63% have exceeded earnings per share (EPS) estimates. Overall, analysts expect sales to rise 4.2%, to mark the Index's fastest growth since the third quarter of 2014. *Energy*, though, continues to lag; the sector is forecast to report a 0.1% decline in sales and 9.6% decline in EPS. Nevertheless, the sector remains poised for recovery in 2017; analysts currently estimate a first quarter rebound in sales (albeit off depressed levels) to break a string of ten consecutive quarterly declines. *Schlumberger*, the world's largest oilfield services company, affirmed these expectations in its quarterly earnings update. Management noted that exploration and production budgets in North America are slated to rise 30% this year which "should lead to both higher activity and a long overdue recovery in service industry pricing." An upturn in spending would directly benefit the manufacturing, distribution, and transportation of energy-related goods and services. Businesses in oil-rich areas, such as Texas and New Mexico, as well as energy-oriented financial institutions, would also stand to gain from the increase in activity. Taken together, the *Energy* recovery should provide a strong tailwind for overall sales and earnings growth that may support stocks over the next several quarters.

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Pacific Global • 101 N Brand Blvd • Suite 1950 • Glendale, California 91203 • (800) 989-6693 • www.pacificglobal.us

¹The Dow Jones Industrial Average is an unmanaged, price weighted measure of 30 U.S. stocks selected by the Averages Committee to represent the performance of all U.S. stocks outside the Transportation and Utilities sectors. The S&P 500® Index is an unmanaged, market capitalization weighted index which measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is an unmanaged, market capitalization weighted measure of all domestic and international common stocks listed on The Nasdaq Stock Market. The NASDAQ 100 Index is an unmanaged, market capitalization weighted measure of 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization. The Russell Midcap® Index measures the 800 smallest companies within the Russell 1000® Index based on a combination of their market cap and current index membership. The Russell 2000® Index is an unmanaged, market-weighted measure of stock market performance. It contains stocks of the 2,000 smallest publicly traded companies of the Russell 3000® Index. It is not possible to invest in the Indices.