Investment Weekly

December 4, 2017

Economic Recap

Last week's domestic economic reports came in solid overall, especially in the housing market. The S&P CoreLogic Case-Shiller HPI for September recorded a spike from the previous month, pulling the yr./yr. gain to 6.2%, its highest in over three years. The Pending Home Sales Index soared past consensus estimates for an impressive for October; the index composite was led by the hurricane-recovering south as it continues to rebuild.

Consumer confidence spiked for the month of November to 129.5. This level marks a 17-year high in consumer confidence, bolstered by a strong labor market and a bullish stock market with the Dow clearing a record 24,000 last week.

It seems morale also improved in the Eurozone as November's EC Economic Sentiment release reported a stronger than expected 114.6, the highest level since 2000 with the industry, consumer and construction sectors leading the measures. Additionally, the area's Markit Manufacturing Purchasing Manager Indexes impressed last week, just short of record highs.

Economic Calendar (U.S.)

Tuesday – International Trade, ISM Non-Mfg. Index
Wednesday – ADP Employment Report, Productivity & Costs
Thursday – Jobless Claims, Fed Balance Sheet
Friday – Employment Situation, Consumer Sentiment

Economic Calendar (International)

Monday – RBA Announcement, JP PMI Composite
Tuesday – EZ PMI Composite & Retail Sales Reports
Wednesday – DE Manufacturers' Orders
Thursday – EZ GDP, CN Merchandise Trade Balance

Interest Rates & Yields

Rate	Current	1 Mo. Ago	1 Yr. Ago
Effective Federal Funds Rate	1.16%	1.16%	0.41%
Target 90-day T-bill	1.24%	1.12%	0.45%
U.S. 2-yr Trsy Yield	1.81%	1.61%	1.10%
U.S. 10-yr Trsy Yield	2.39%	2.33%	2.38%
U.S. 30-yr Trsy Yield	2.79%	2.81%	3.06%
U.S. 5-yr Muni Yield	1.85%	1.55%	2.13%
Investment Grade Yield	3.61%	3.55%	3.92%
High Yield	5.50%	5.35%	6.62%

Financial Market Recap

Last week, while the market was riding high on the increased likelihood of tax reform, the Michael Flynn bombshell detonated and sent markets tumbling. That said, barring any additional news on the ongoing investigation into the ties between President Trump and Russia, we anticipate that markets will rally this week as tax reform is looking like a near certainty.

Historically, markets have had a difficult time appropriately pricing any impact of political tumult. We believe it worthwhile to look back to the Iran-Contra scandal for perspective, which did not create an economic downturn in the 1980's. While this does not mean that further political intrigue will not affect markets, it is important to keep some historical perspective in mind.

With regard to tax reform, with momentum leaning heavily toward the GOP, markets are signaling loud and clear that equity investors like the current bill, and its passage will be a positive for stocks, at least in the short-term.

Within the S&P 500, Telecommunication Services, Financials and Energy sectors performed the strongest last week, while Information Technology, Real Estate and Utilities sectors performed the worst.

To recap for last week, the S&P 500 gained 1.6% and small-caps rallied 1.3%. Internationally, developed markets were down, and emerging markets fell 2.8%. The yield on the 10-year U.S. Treasury note finished the week at 2.39%, up 5 basis points on the week.

Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	1.60%	-0.20%	20.25%	23.05%
S&P 400 Mid Cap	1.96%	-0.24%	15.69%	18.53%
S&P 600 Small Cap	1.13%	-0.59%	13.12%	17.36%
S&P Developed Mkts ex-U.S.	-0.96%	-0.59%	22.99%	26.49%
S&P Emerging Markets	-2.76%	-0.53%	29.55%	30.66%
Bloomberg Commodity	-0.60%	0.91%	-1.18%	-0.51%
Barclays U.S. Aggregate	-0.03%	0.29%	3.36%	3.91%
Barclays Municipals	-0.04%	0.35%	4.72%	6.37%
Barclays U.S. High Yield	0.13%	0.01%	7.19%	9.17%
HFRX Eq. Wgt. Hedge Funds	0.01%	0.08%	4.26%	5.03%

All data as of market close: 12/1/2017 Source: Bloomberg

Key Private Bank