



FINANCIAL MARKET UPDATE 12/8/2017

THE WEEK IN REVIEW

The first full week of December started strong for markets, as U.S. stocks rallied Monday following the U.S. Senate's narrow passage of the GOP-led tax bill early Saturday morning. The Senate bill will now be reconciled with the House of Representative's version before it is sent to President Trump for executive approval. Following the weekend's legislative progress, the blue chip Dow Jones Industrial Average (DJIA) opened Monday morning at a new all-time high of 24,416. Global equities then slumped mid-week amid concerns that the U.S. official recognition of Jerusalem as capital of Israel could spark violent protests across the Middle East. Buying momentum reemerged on Thursday and Friday driven by an agreement between President Trump and Congressional leaders to fund the federal government for another two weeks, coupled with a healthy November payrolls report.

For the week, the S&P 500 Index and DJIA both advanced 0.4%, while the Nasdaq Composite posted a small decline of 0.1%. Industrial, financial and materials stocks were this week's best performing S&P 500 sector groups. A major merger in the healthcare industry was unveiled Monday, as retail pharmacy and benefits manager CVS Health Corp. announced a \$69 billion acquisition of health insurer Aetna Inc., subject to regulatory approval. In commodities markets, crude oil prices dipped 1.8% after the American Petroleum Institute reported that U.S. gasoline inventories unexpectedly grew by more than 9 million barrels last week. Despite a number of hacks and criticism in recent weeks, Bitcoin, a decentralized, digital cryptocurrency, surged above the \$15,000 mark for the first time after closing last week below \$11,000. On the year, bitcoin prices have climbed more than 1500%, generating plenty of volatility and media buzz along the way.

On Friday morning, the Department of Labor reported U.S. employers added 228,000 jobs in November, ahead of the 195,000 expected. Meanwhile, the unemployment rate stayed unchanged at 4.1%. U.S. manufacturing workers saw record low unemployment of 2.6%, marking its first time below 3.0%. Latino unemployment also saw record lows of 4.7%, as did people aged 25 and older without a high school diploma. Additionally, adjusting for age and gender, the employment rate is nearly where it was immediately before the recession of 2007-2008. This marks the sixth time in the last nine years that November nonfarm payrolls have exceeded expectations. The data was not without a few weak notes, however, as October payroll additions were revised down by 17,000 jobs to 244,000. The biggest disappointment of the report was continuing slow wage growth, up only 2.5% from last year and lower than expectations of 2.7%. Sluggish wage growth in recent years has kept broad year-over-year consumer inflation from rising to the Fed's stated 2.0% target. The mixed messages on job growth and wage gains set the stage for next week's Federal Open Market Committee's (FOMC) decision on interest rates.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-Farm Payrolls (Thousands)	228	208	▲
Durable Goods Orders	-0.8%	-6.8%	▲
Trade Balance (Billions)	-48.7	-45.2	▼
ISM Nonmanufacturing	57.4	55.3	▲
U. of Mich. Consumer Sentiment	96.8	95.1	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24329.16	0.40%	23.11%	24.03%
NASDAQ	6840.08	-0.11%	27.07%	26.26%
S&P 500 Large Cap	2651.49	0.35%	18.43%	18.04%
MSCI EAFE	1997.81	-0.30%	18.63%	19.26%
Barclays Aggregate US	2042.53	-0.01%	3.35%	3.48%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.27%	1.22%	0.50%
10-Year Treasury	2.38%	2.33%	2.41%

REPORTS DUE NEXT WEEK	LATEST
JOLTS (Millions)	6.093
Producer Price Index (YoY)	2.8%
Consumer Price Index (YoY)	2.0%
Core Consumer Price Index (YoY)	1.8%
Retail Sales (MoM)	0.2%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

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