

The Market Week in Review

For Week Ending February 18, 2017

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THE MARKETS

By mid-week the Dow, S&P, and Nasdaq all marched to all-time highs for five consecutive days - the first time such a feat has been made in 25 years. This, despite continual shakeups inside the White House that one might intuitively think would otherwise raise uncertainty in the markets. Interest rates spiked on Wednesday after Fed Chair Janet Yellen suggested the Fed has not ruled out raising rates as soon as March. By week's end, however, the yield on the 10 Year Note fell back to 2.42%, essentially unchanged for the week. U.S. benchmark crude prices also held relatively steady, closing trade near \$53.50 a barrel. The Dollar Index held just above 100 for the second straight week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	20,269.37	20,624.05	354.68	1.75%	4.36%
Nasdaq	5,734.13	5,838.58	104.45	1.82%	8.46%
S&P 500	2,316.10	2,351.16	35.06	1.51%	5.02%
Russell 2000	1,388.84	1,399.86	11.02	0.79%	3.15%

DAILY DEVELOPMENTS

MONDAY

There was no major economic news on Monday.

TUESDAY

The Bureau of Labor Statistics reported on Tuesday that input prices for producers jumped 0.6% in January – twice the expected increase. The headline Producer Price Index number showed both gasoline and home heating oil prices contributed to a 4.7% surge in the energy component, but when food (which was unchanged) and energy were stripped out for the core figure, prices still increased 0.4%. This report points to building inflationary pressures.

WEDNESDAY

Just as in Tuesday's report, pricing pressures for consumers increased 0.6% in January, according to the Bureau of Labor Statistics report. Inflation is now running at a 2.5% annual clip, exceeding the Fed's 2.0% target. Energy prices were a major contributor to the headline figures, rising 0.4%, though stripping out volatile food and energy, prices rose 0.3% for the month.

Retail sales rose 0.4% in January, according to the Commerce Department. This was a particularly good report considering the four tenth upward revision to 1.0% for the prior month. Excluding vehicle sales, which declined 1.4% in January, sales increased 0.8%. Electronics and appliances were also strong, showing a 1.6% gain for the month.

Industrial production declined 0.3% in January, according to the Federal Reserve's index. The decline was fueled by a 5.7% weather-related drop in utility output. This metric has been lacking momentum in recent months due to negative readings in some of its more volatile components, such as vehicle manufacturing. The sector's capacity utilization is running at only 75.3%.

THURSDAY

The Census Bureau reported that housing starts fell 2.6% in January, although that was after December's figure which was revised higher. Single family starts rose 1.9% for a 6.2% annual increase. Multi-family starts fell 10.2% but are up a solid 19.8% from a year ago. Permits were also higher in January and are up 11.1% annually for single family units and 3.5% for multi-family units.

Initial jobless claims rose by 5,000 in the week of February 11th, to a still very low level of 239,000. The four week average also rose slightly to 245,250 but is also lower than the month ago figure. Continuing claims for the February 4th week were down 3,000 to 2.07 million, while the four week average of 2.08 million is modestly lower than a month ago.

The Philadelphia Fed's Business Outlook Survey registered an eye-popping 43.3 for February, dwarfing the 19.3 consensus estimate of participating forecasters. The reason for the unusually strong reading was positive sentiment due to the new orders index, which jumped 12 points to 38.

FRIDAY

The Conference Board's U.S. Leading Economic Index had its second strong reading since the presidential election, pointing to accelerating economic growth in 2017. Interest rate spreads, building permits, and low jobless claims were among the report's top contributors to the index's 0.6% rise.

TIDBITS

Federal Reserve Chair Janet Yellen told senators this past week that interest-rate hikes are essential to keeping the U.S. economy healthy and on track, regardless of what taxation and spending policies are enacted by the Trump administration. It is the economy's "solid progress" that is "driving our policy decisions".

QUOTE OF THE WEEK

“Man’s mind, once stretched by a new idea, never regains its original dimensions.”

- Oliver Wendell Holmes

We hope you have found the information in this week’s market summary informative. If you would like to comment on any of the information found in this week’s Market Week in Review please email us at firm@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call us at the number listed below.

Best regards,

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