

WEEKLY MARKET SNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

December 16, 2016

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As expected, the Federal Open Market Committee raised the federal funds target range by 25 basis points, to 0.50-0.75%, citing realized and expected improvement in job market conditions. The Fed's Board of Governors approved a 25-bp increase in the discount rate, to 1.25%. For a change, some of the dots in the dot plot (officials' forecasts of the appropriate year-end federal funds target rate) edged higher. The median forecast for 2017 rate increases rose to three (from two in September), spooking the bond market and sending the dollar higher. However, the dot plot is a set of expectations, not a plan. There is considerable uncertainty surrounding each dot and not every official (the dots) votes on policy. In her post-FOMC press conference, Chair Yellen suggested that, with the degree of labor market slack diminished, *"fiscal policy is obviously not needed to provide stimulus to help us get back to full employment."*

The economic data were mixed, but generally on the low side of expectations. Retail sales, industrial production and residential construction numbers for November were all a little softer than anticipated (but not horrible). Small business optimism, homebuilder sentiment, and the two major region Fed factory-sector surveys all jumped, apparently reflecting post-election optimism that a rollback in regulation, increased infrastructure spending and lower taxes will spur growth.

Next week, the important economic data arrives on Thursday. We'll get another look backward on third quarter GDP growth (seen slightly higher than in the previous estimate). Personal spending and durable goods shipments will help fill in the picture of 4Q16 GDP growth. However, investors are already focused on 2017.

Indices

	Last	Last Week	YTD return %
DJIA	19852.24	19191.93	13.93%
NASDAQ	5456.86	5251.11	8.98%
S&P 500	2262.03	2191.08	10.67%
MSCI EAFE	1664.36	1630.99	-3.02%
Russell 2000	1366.41	1313.80	20.29%

Consumer Money Rates

	Last	1 year ago
Prime Rate	3.75	3.25
Fed Funds	0.66	0.15
30-year mortgage	4.38	3.97

Currencies

	Last	1 year ago
Dollars per British Pound	1.242	1.500
Dollars per Euro	1.041	1.091
Japanese Yen per Dollar	118.18	122.21
Canadian Dollars per Dollar	1.334	1.378
Mexican Peso per Dollar	20.333	16.983

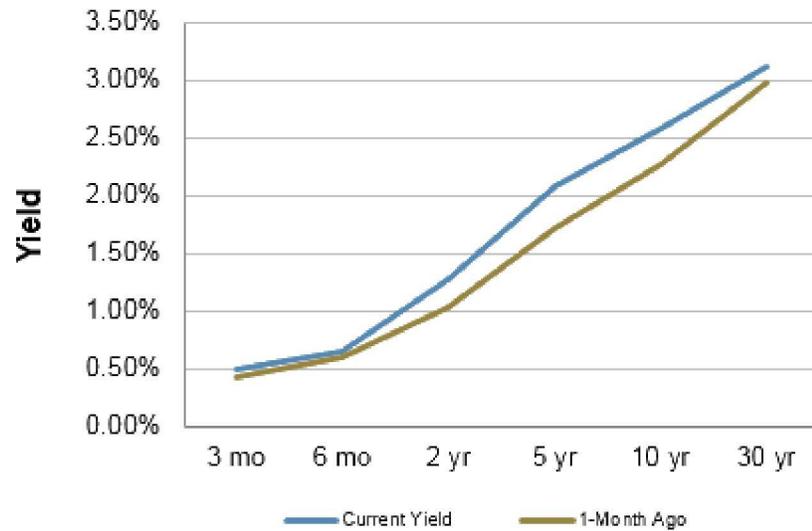
Commodities

	Last	1 year ago
Crude Oil	50.90	35.52
Gold	1129.80	1076.80

Bond Rates

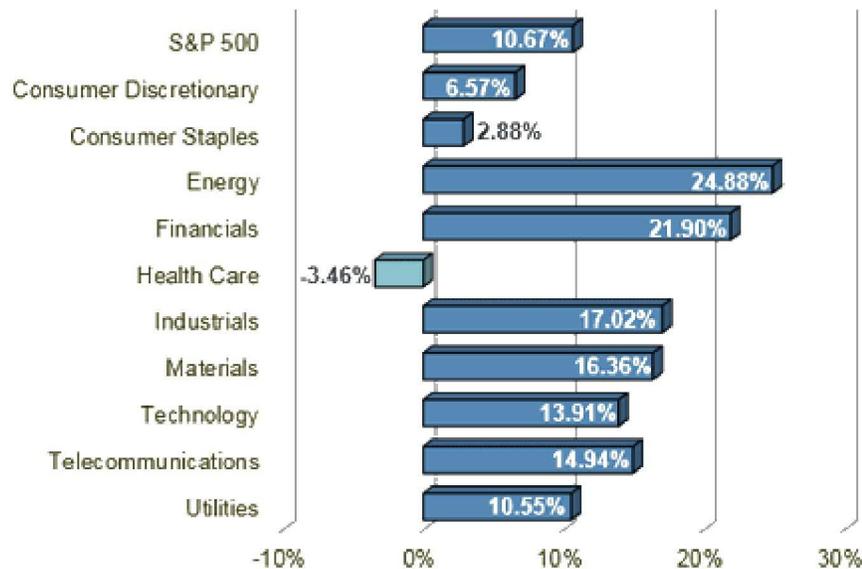
	Last	1 month ago
2-year treasury	1.26	1.02
10-year treasury	2.57	2.27
10-year municipal (TEY)	3.83	3.42

Treasury Yield Curve – 12/16/2016



As of close of business 12/15/2016

S&P Sector Performance (YTD) – 12/16/2016



As of close of business 12/15/2016

Economic Calendar

December 19	—	Electoral College Votes
	—	Yellen speaks (“the job market”)
December 21	—	Existing Home Sales (November)
December 22	—	Durable Goods Orders (November)
	—	Real GDP (3Q16, 3rd estimate)

	—	Personal Income and Spending (November)
	—	Leading Economic Indicators (November)
December 23	—	New Home Sales (November)
	—	UM Consumer Sentiment Index (December)
December 26	—	Christmas Holiday (markets closed)
December 27	—	Consumer Confidence (December)
January 2	—	New Year's Holiday (markets closed)
January 3	—	ISM Manufacturing Index (December)
January 4	—	FOMC Minutes (December 13-14)
January 5	—	ISM Non-Manufacturing Index (December)
January 6	—	Employment Report (December)
January 16	—	MLK Jr. Holiday (markets closed)
January 20	—	Inauguration Day
January 27	—	Real GDP (4Q16, advance estimate)
February 1	—	FOMC Policy Decision (no press conference)
March 15	—	FOMC Policy Decision (Yellen press conference)

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US government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. US government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the US government.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments.

Tax Equiv Muni yields (TEY) assumes a 35% tax rate. Municipal securities may lose their tax-exempt status if certain legal requirements are not met, or if tax laws change.

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Data source: Bloomberg, as of close of business December 16, 2016.

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