

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

MAY 5, 2017

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

Federal Reserve officials kept short-term interest rates unchanged, as expected, but (in the policy statement) they suggested that first quarter softness will *"likely be transitory."* The market odds of a June 14 hike rose in response and bond yields moved higher.

The employment report was stronger than expected in April. Nonfarm payrolls rose by 211,000, vs. +79,000 in March (revised from +98,000). There is a fair amount of statistical noise (the monthly payroll change is reported accurate to $\pm 120,000$) and seasonal adjustment can be challenging (we added 1.026 million jobs prior to seasonal adjustment in April, a bit less than a year earlier). The three-month average smooths out a lot of the noise: +174,000 over February – April, consistent with the downward trend in recent years (a consequence of tighter job market conditions). The unemployment rate fell to 4.4%, the lowest since March 2007, and the broad measure (U-6) fell to 8.6% (vs. 8.9% in March and 9.7% a year ago). Average hourly earnings rose 0.3%, up 2.5% year-over-year (the three-month average was up 2.7% y/y). June Fed rate hike odds edged up following the report (73%, vs. 66% a week ago).

Next week, the important economic data reports (CPI, retail sales) arrive on Friday. Household spending growth slowed sharply in the first quarter, so investors will want to see if the consumer got up off the mat in April. A reported decrease in unit auto sales suggests that the legs remained a little wobbly in April, but the retail sales report should help to clarify that. The job market is the primary driver of Fed policy decisions, but the pace of tightening also depends on the inflation outlook. Following an acceleration in January and February, the Consumer Price Index fell in March, but that was mostly due

to a one-off drop in wireless telecom services. We should be back to a moderate trend in April.

Indices

	Last	Last Week	YTD return %
DJIA	20951.47	20981.33	6.02%
NASDAQ	6075.34	6038.47	12.86%
S&P 500	2389.52	2388.77	6.73%
MSCI EAFE	1853.24	1835.96	10.05%
Russell 2000	1388.85	1335.96	2.34%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.00	3.50
Fed Funds	0.91	0.37
30-year mortgage	4.10	3.58

Currencies

	Last	1 year ago
Dollars per British Pound	1.292	1.449
Dollars per Euro	1.099	1.141
Japanese Yen per Dollar	112.46	107.26
Canadian Dollars per Dollar	1.375	1.285
Mexican Peso per Dollar	19.049	17.893

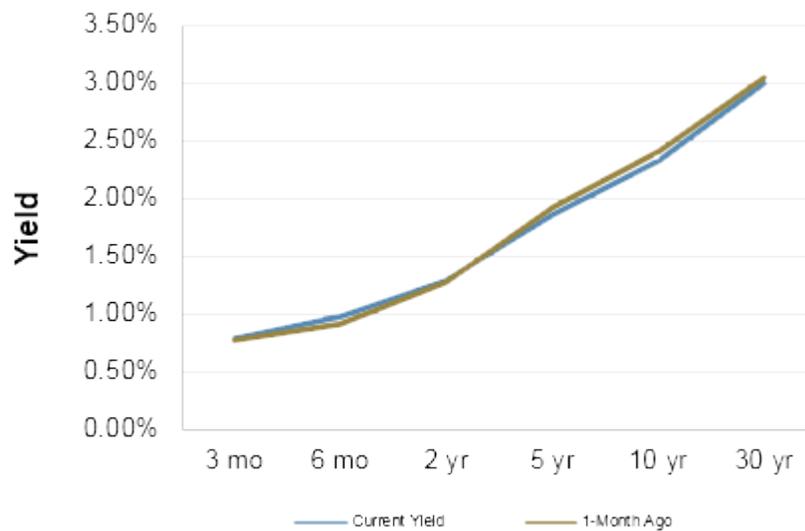
Commodities

	Last	1 year ago
Crude Oil	45.52	44.32
Gold	1228.60	1272.30

Bond Rates

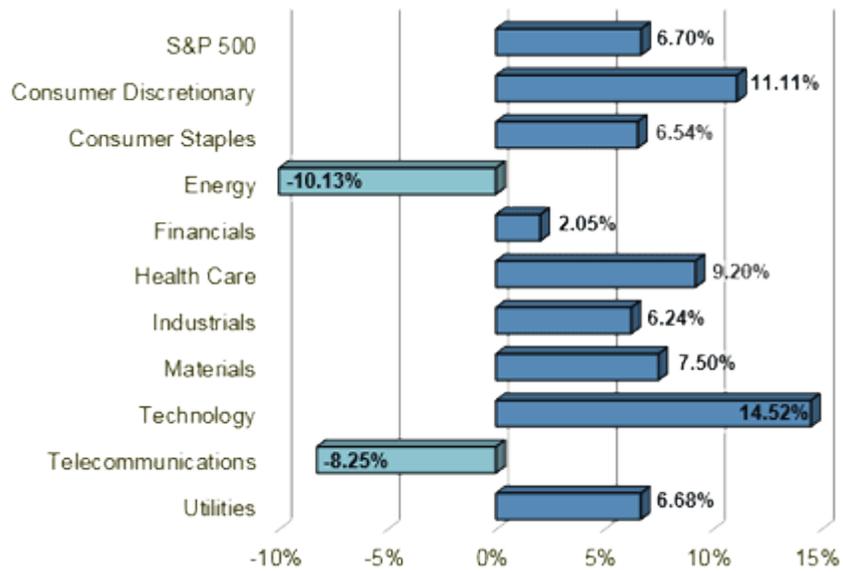
	Last	1 month ago
2-year treasury	1.31	1.23
10-year treasury	2.34	2.25
10-year municipal (TEY)	3.32	3.40

Treasury Yield Curve – 05/05/2017



As of close of business 05/04/2017

S&P Sector Performance (YTD) – 05/05/2017



As of close of business 05/04/2017

Economic Calendar

- | | | |
|---------------|---|--|
| May 9 | — | Small Business Optimism (April) |
| May 10 | — | Import Prices (April) |
| May 11 | — | Jobless Claims (week ending May 6) |
| | — | Producer Price Index (April) |
| May 12 | — | Consumer Price Index (April) |
| | — | Retail Sales (April) |
| | — | Consumer Sentiment (mid-May) |
| May 16 | — | Building Permits, Housing Starts (April) |
| | — | Industrial Production (April) |

May 18	—	Leading Economic Indicators (April)
May 24	—	FOMC Minutes (May 2-3)
May 26	—	Durable Goods Orders (April)
	—	Real GDP (1Q17, 2nd estimate)
May 29	—	Memorial Day (markets closed)
June 14	—	FOMC Policy Decision (Yellen press conference)

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