

WEEKLY MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JANUARY 05, 2018

Market Commentary

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

The stock market began the new year on a strong note, impervious to the noise coming out of Washington. The economic data reports were mixed, perhaps a little disappointing (relative to lofty expectations), but consistent with continued moderate strength in the near term.

Nonfarm payrolls were reported to have risen by 148,000 in the initial estimate of December (median forecast: +190,000), well within the range of statistical noise (the monthly payroll change is reported accurate to $\pm 120,000$), but also consistent with the constraints imposed by a tighter job market. Private-sector payrolls averaged a 168,000 monthly gain in 2017, vs. 170,000 in 2016, which is beyond a sustainable rate. How do we know? The unemployment rate held steady at 4.1% in December, but was down from 4.7% a year ago (and the unemployment rate cannot fall forever). Average hourly earnings rose 0.3%, but November was revised lower, bringing the year-over-year increase to 2.5%. Unit motor vehicle sales remained strong in December, but the total for 2017 was down 1.6% from 2016. ISM surveys were mixed.

Next week, the important economic data reports (retail sales, CPI) bunch up at the end of the week (heading into a three-day weekend). The retail sales figures will help to gauge consumer spending growth in 4Q17 (and consumer spending accounts for nearly 70% of gross domestic product). Consumer price inflation should reflect the retreat in gasoline prices, with the underlying trend in the core CPI holding about steady.

[Indices](#)

	Last	Last Week	YTD return %
DJIA	25075.13	24778.26	1.44%
NASDAQ	7077.91	6965.36	2.53%
S&P 500	2723.99	2684.57	1.88%
MSCI EAFE	2089.16	2033.66	1.87%
Russell 2000	1555.72	1547.11	1.32%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.50	3.75
Fed Funds	1.41	0.66
30-year mortgage	4.07	4.10

Currencies

	Last	1 year ago
Dollars per British Pound	1.355	1.242
Dollars per Euro	1.207	1.061
Japanese Yen per Dollar	112.75	115.35
Canadian Dollars per Dollar	1.249	1.323
Mexican Peso per Dollar	19.289	21.423

Commodities

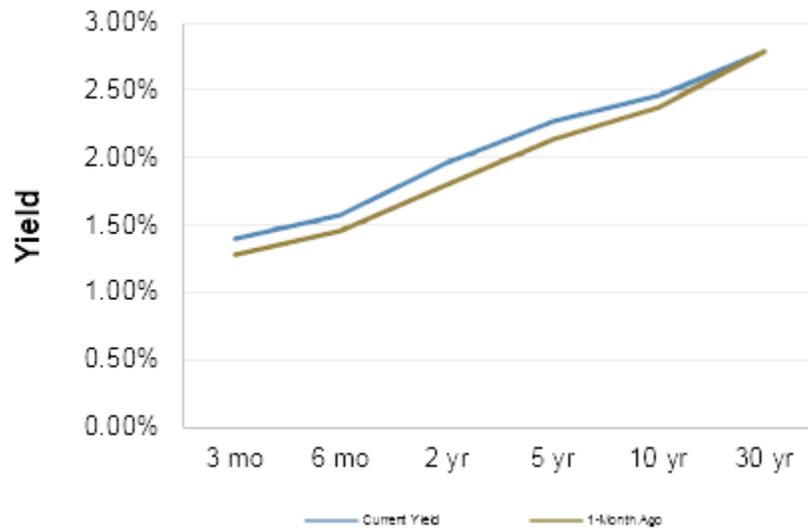
	Last	1 year ago
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Crude Oil	62.01	53.76
Gold	1321.60	1181.30

Bond Rates

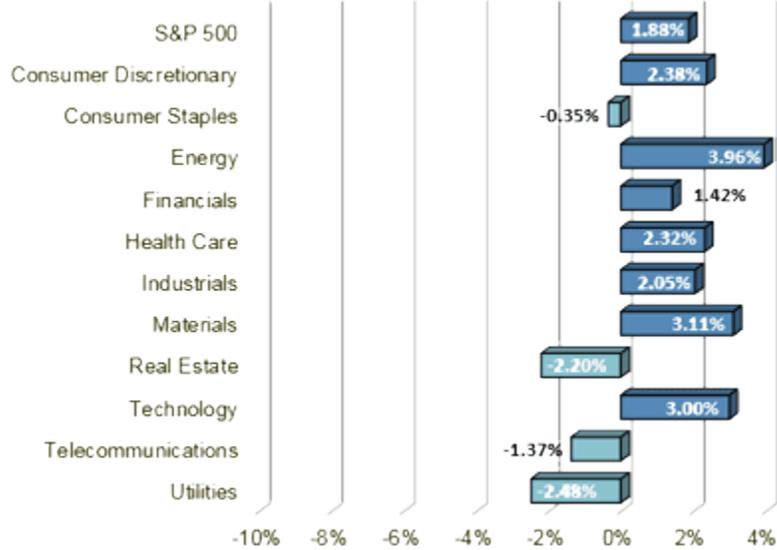
	Last	1 month ago
2-year treasury	1.96	1.79
10-year treasury	2.46	2.37
10-year municipal (TEY)	3.13	2.98

Treasury Yield Curve – 01/05/2018



As of close of business 01/04/2018

S&P Sector Performance (YTD) – 01/05/2018



As of close of business 01/04/2018

Economic Calendar

January 9	—	Small Business Optimism (December)
January 10	—	Import Prices (December)
January 11	—	Jobless Claims (week ending January 6)
	—	Producer Price Index (December)
January 12	—	Consumer Price Index (December)
	—	Retail Sales (December)
January 15	—	MLK Jr. Holiday (markets closed)
January 17	—	Industrial Production (December)
January 18	—	Building Permits, Housing Starts (December)

- January 26** — Real GDP (4Q17, advance estimate)
- January 31** — FOMC Policy Decision (no press conference)
- February 2** — Employment Report (January)

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The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. An investment cannot be made directly in these indexes. The performance noted does not include fees or charges, which would reduce an investor's returns. U.S. 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. U.S. 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 U.S. 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. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business January 04, 2018.

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