

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JANUARY 12, 2018

Market Commentary

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

Retail sales rose about as anticipated in December. However, (once again) figures for the two previous months were revised higher. Sales strength in the final four months of the year broke a downtrend over the first eight months. Inflation-adjusted average hourly earnings rose 0.2% in December, up just 0.4% year-over-year – not much firepower for consumer spending growth. However, eighteen states raised their minimum wages in January, and such increases typically echo up the income scale. The Producer Price Index surprised to the downside, but the Consumer Price Index details were mostly in line with expectations.

The data added to concerns that the Federal Reserve will be more aggressive in raising short-term interest rates this year. The April federal funds futures ended the week implying over an 80% chance of a quarter-percent hike at the March 20-21 FOMC meeting. Shifting Fed expectations did not dampen stock market sentiment.

Next week, economic data reports are not expected to matter much for the financial markets. The two important releases, industrial production and residential construction, are subject to seasonal noise. Investors may be interested in what Fed Vice Chair Quarles has to say about bank regulation on Friday. The government's funding authority runs out on Friday at midnight, but lawmakers should be able to come up with another continuing resolution if they can't reach a broad agreement.

[Indices](#)

	Last	Last Week	YTD return %
DJIA	25574.73	24778.26	3.46%
NASDAQ	7211.78	6965.36	4.47%
S&P 500	2767.56	2684.57	3.51%
MSCI EAFE	2113.12	2033.66	3.04%
Russell 2000	1586.79	1547.11	3.34%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.50	3.75
Fed Funds	1.41	0.66
30-year mortgage	4.14	4.11

Currencies

	Last	1 year ago
Dollars per British Pound	1.354	1.216
Dollars per Euro	1.203	1.061
Japanese Yen per Dollar	111.26	114.72
Canadian Dollars per Dollar	1.252	1.315
Mexican Peso per Dollar	19.272	21.780

Commodities

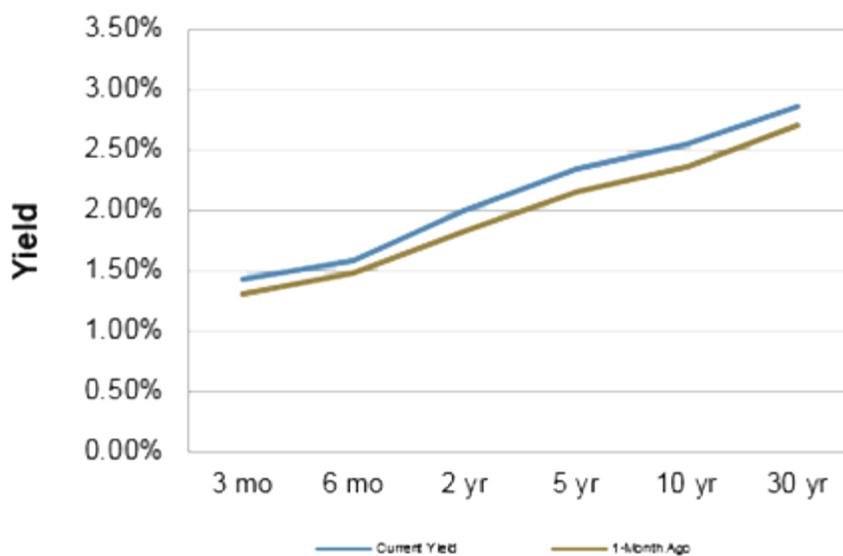
	Last	1 year ago
--	------	------------

Crude Oil	63.80	53.01
Gold	1322.50	1199.80

Bond Rates

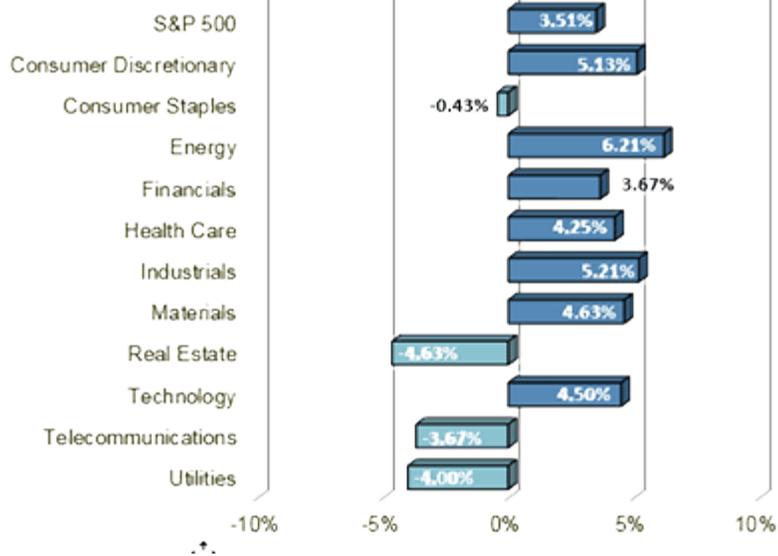
	Last	1 month ago
2-year treasury	1.99	1.82
10-year treasury	2.54	2.35
10-year municipal (TEY)	3.26	2.11

Treasury Yield Curve – 01/12/2018



As of close of business 01/11/2018

S&P Sector Performance (YTD) – 01/12/2018



As of close of business 01/11/2018

Economic Calendar

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)

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc. and are subject to change. There is no assurance any of the forecasts mentioned will occur or that any trends mentioned will continue in the future. Investing involves risks including the possible loss of capital. Past performance is not a guarantee of future results. International investing is subject to additional risks such as currency fluctuations, different financial accounting standards by country, and possible political and economic risks, which may be greater in emerging markets. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, and state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Taxable Equivalent Yield (TEY) assumes a 35% tax rate.

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 11, 2018.