MAINSTREET
ADVISORS

FINANCIAL MARKET UPDATE

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THE WEEK IN REVIEW

Investors received numerous domestic economic data reports this week, but international events made the biggest headlines. Despite the second estimate of third quarter GDP being better than expected on the back of improved personal consumption, the S&P 500 Index was little changed on Tuesday. The yield on the 10-year U.S. Treasury note continued to fall as well on Tuesday, which potentially implies lower future growth and inflation expectations. Also on Tuesday, consumer confidence advanced to a nine-year high since the last peak in July 2007. The consumer confidence index rose to an astounding 107.1, beating the forecast of 101.5. Reports showing improved personal income growth in October and an expanding manufacturing sector in November failed to lift stocks on Wednesday and Thursday. The technology sector, which has suffered relative to the rest of the domestic equity market since the election of Donald Trump, declined the most of any GICS sector over the past five days. The selloff seems to have been partly predicated on comments made by President-elect Trump in reference to the taxes paid by such companies while he was on the campaign trail. Globally, few stock markets will end the week in positive territory, with Japan's NIKKEI 225 a notable exception.

On Wednesday, Saudi Arabia led OPEC in an agreement to curtail the production of oil. The planned cut in production, the first since 2008, will result in OPEC producing 1.2 million fewer barrels per day. The news sent the price of crude higher from $46 on Wednesday to $52 by early Friday morning. While the announcement had little effect on the U.S. stock market, it sent U.S. rates sharply higher. After closing Tuesday at 2.29%, the yield on the U.S. Ten-year Treasury note jumped 9 basis points to 2.38% by the end of trading on Wednesday. The yield on the note continued to push higher on Thursday, hitting an intraday high of 2.49%. The additional yield widening seen on Thursday, likely occurred as end of month rebalancing of portfolios subsided. Additionally, expansion in the U.S. manufacturing sector likely primed investors for a big nonfarm payrolls number on Friday.

Friday morning also produced the November jobs report. Notably, the unemployment rate fell to its lowest level since August 2007, contrasting starkly with relatively weak wage growth. Pundits have spoken widely about how a tighter labor market will strengthen wage growth, but that situation has yet to unfold. In August 2007, year-over-year hourly and weekly wages were both up 3.9%, while this month those numbers came in respectively at 2.5% and 2.0%. All else equal, without stronger wage growth, inflation is less likely to emerge. The ascent of rates midweek likely reflected investors' expectations that headline inflation would move higher with oil prices in the coming months. Following today's nonfarm payrolls report investors might be revisiting that conclusion.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
U.S. Q3 GDP (2nd Reading)	3.2%	1.4%	▲
ISM Manufacturing Index	53.2	49.4	▼
Nonfarm Payrolls	178,000	176,000	▲
Unemployment Rate	4.6%	4.9%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	19170.42	0.10%	10.02%	8.13%
NASDAQ	5255.65	-2.65%	4.96%	2.58%
S&P 500 LargeCap	2191.95	-0.97%	7.24%	5.41%
MSCI EAFE	1630.99	-0.21%	-4.97%	-6.70%
Barclays Aggregate US		-0.22%	2.11%	1.52%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.46%	0.36%	0.20%
10-Year Treasury	2.38%	1.80%	2.18%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	4.8%
Nonfarm Productivity	3.1%
ISM Non-Manufacturing	54.8
U. of Mich. Sentiment	93.8

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.