



### THE WEEK IN REVIEW

The trading week began with markets digesting the results of the Italian Referendum vote Sunday. The majority of Italian voters (about 60%) voted "no" to reject changes to their country's Constitution. With the rejection came the resignation of Italian Prime Minister Matteo Renzi, who promised to step down should his proposal be rejected. The referendum promised to reorganize Parliament in an effort to improve government stability. The changes were intended to hasten government decision making and spur Italy's stagnant economy.

Similar to the market reaction seen during Brexit, the markets were initially mixed then finished slightly higher at the end of trading Monday. Shares in Italian banks fell sharply Monday as the vote may lead to an extended period of government inactivity and delay plans to fix Italy's struggling banks. Economists state the reforms are greatly needed as the country has had no tangible growth over the last decade and remains saddled with the second largest debt load in the euro zone behind Greece.

The European Central Bank (ECB) met Thursday. Mario Draghi, head of the ECB, stated the bank would keep key rates on hold and continue its stimulus program to purchase bonds. He announced the stimulus would continue until at least December 2017, but will reduce monthly purchases to €60 billion down from €80 billion beginning in April 2017. Draghi stated the program will continue "as long as needed." The program was enacted in an effort to keep the euro zone economy stable.

In domestic markets, shares of U.S. banks extended their sharp post-election rally this week. The S&P 500 Bank Index (comprised of 17 money center banks and regional banks), posted a return of 6.8% for the week compared to the broad index's 3.1% return. In the month since Election Day, the S&P 500 Bank Index has drastically outpaced the broad index by 19.2%. Investors' expectations of improved interest rate margins for banks in an environment of higher interest rates and less banking sector regulation under a Trump administration have driven recent gains. If the Federal Reserve hikes its benchmark interest rate next week to a range of 0.50% to 0.75%, bank stocks' positive momentum could extend into the final three weeks of the year.

In the consumer sector, stocks of apparel retailer and auto component companies posted healthy weekly returns. Three of the top six highest weekly performers in the entire S&P 500 Index were either apparel retailers or auto parts makers. In general, the U.S. consumer seems to be feeling more confident in recent weeks than was the case for most of 2016. This week, the University of Michigan Consumer Sentiment survey for November increased more than forecast, approaching its highest level since 2014. Consumer confidence is viewed by economists and market analysts as especially important because improved readings typically presage an expansion of consumer spending – which accounts for nearly 70% of U.S. GDP.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Durable Goods Orders	1.0%	-6.8%	▲
Nonfarm Productivity	3.1	-0.6%	▲
ISM Non-Manufacturing	57.2	51.4	▲
U. of Mich. Sentiment	98	91.2	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	19756.85	3.06%	13.38%	12.95%
NASDAQ	5444.50	3.59%	8.73%	8.39%
S&P 500 LargeCap	2259.53	3.08%	10.55%	10.35%
MSCI EAFE	1675.19	2.73%	-2.39%	-2.23%
Barclays Aggregate US		0.10%	2.51%	2.11%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.53%	0.43%	0.25%
10-Year Treasury	2.47%	2.06%	2.22%

REPORTS DUE NEXT WEEK	LATEST
Producer Price Index (PPI) YoY	0.8%
Retail Sales MoM	0.8%
Consumer Price Index (CPI) YoY	1.6%
Housing Starts Annualized (Millions)	1.323

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

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