



THE WEEK IN REVIEW

Investors watched the Dow Jones Industrial Average closely this week as the blue chip index approached the 20,000 level for the first time. Low trading volume ahead of the holiday led to very narrow trading ranges for U.S. stocks which likely prevented the Dow from reaching 20,000. The S&P 500 index traded in an intraday range less than 0.4% three straight days on Tuesday through Thursday. This was the first time that has happened since the week before Christmas in 1971.

The STOXX Europe 600 equity index reached its highest level of 2016 this week. European bank stocks propelled the index to a record high in response to the Italian parliament approving a 20 billion euro rescue fund for the country's struggling banking system. Italy's third largest bank Monte dei Paschi di Siena said it will use the rescue fund after the bank failed to attract enough private investors and only has enough liquidity to last four months. A bailout could fuel anti-establishment sentiment that was displayed earlier this month when voters rejected the referendum put forward by the Prime Minister Matteo Renzi.

European bank stocks received additional support from the resolution of the U.S. Justice Department's lawsuits against Deutsche Bank and Credit Suisse regarding mortgage-backed securities sold before the financial crisis. Both banks agreed to pay multibillion dollar settlements that were lower than previously expected. Shares of Deutsche Bank and Credit Suisse rose 4.0% and 2.0%, respectively, on Friday morning.

U.S. third quarter economic growth was revised higher to an annualized rate of 3.5% from the previous reading of 3.2%. This was the strongest quarterly growth since the third quarter of 2014. Stronger consumer spending and business investment were responsible for the upward revision. Consumer spending grew 3.0% in the third quarter after the second quarter's very strong 4.3% increase.

Durable goods orders declined 4.6% in November. This was the first decline in five months and the largest fall since August 2014. A 73.5% fall in nondefense aircraft orders was the main reason for the large decline. Orders excluding transportation and defense, a proxy for business spending, were up 0.9%. Core capital goods orders appear to be gaining momentum heading into year-end after a mostly flat year.

Purchases of previously owned homes climbed 0.7% in November to a seasonally adjusted annualized rate of 5.6 million, the highest pace since February 2007. New-home sales also rose in November, reaching their highest level in four months. Purchases of newly built homes increased 5.2% in November. Economists said higher mortgage rates are likely luring buyers into the market because of fear borrowing costs will continue to rise. The average interest rate on a fixed 30-year mortgage reached 4.3% last week. That was the highest 30-year mortgage rate since April 2014. In addition to higher mortgage rates, rising housing prices driven by low inventory is making home buying unaffordable for many buyers. The combination of higher mortgage rates and housing prices could lead to a softer housing market in the spring.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Annualized)	5.61M	5.30M	▲
New Home Sales (Annualized)	592K	559K	▲
Durable Goods Orders	-4.6%	0.2%	▼
U.S. Q3 GDP Growth (Annualized)	3.5%	1.4%	▲
Personal Income	0.0%	0.2%	▼
Consumer Spending	0.2%	0.1%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	19843.41	0.44%	13.88%	11.80%
NASDAQ	5437.16	-0.13%	8.58%	7.22%
S&P 500 LargeCap	2258.07	-0.06%	10.48%	8.92%
MSCI EAFE	1664.36	-0.81%	-3.03%	-1.72%
Barclays Aggregate US		-0.51%	1.62%	1.75%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.50%	0.46%	0.25%
10-Year Treasury	2.60%	2.22%	2.30%

REPORTS DUE NEXT WEEK	LATEST
Consumer Confidence	107.1
S&P Case-Shiller Housing Price Index	0.4%
U.S. Trade Deficit	-\$62B

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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