



THE WEEK IN REVIEW

U.S. Equities pushed higher in the first trading week of 2017, as recent domestic economic data met or exceeded expectations. The S&P 500 Index rallied 1.70% this week, while the blue-chip Dow Jones Industrial Average posted a weekly advance of 1.02%. Markit US Manufacturing PMI, average hourly earnings, and nonfarm payrolls all met expectations, especially after accounting for revisions to the previously reported payroll numbers. The ISM manufacturing report surprised to the upside as it climbed to 54.7 in December. That number surpassed both the projection of 53.8 and November's reported value of 53.2. The new orders and prices paid components of the index accelerated from November to December, going from 53 to 60.2 and from 54.5 to 65.5 respectively.

While the equity market had a party and it seemed like everyone, save for Macy's and Kohl's, was invited, the U.S. Treasury market had a slightly bumpier ride. While the yield on the 10-year U.S. Treasury note only fell 2 basis points on the week, finishing at 2.42%, it had fallen to an intraweek low of 2.34% on Thursday. Interestingly, this coincided with the intraweek low for the U.S. dollar as the euro, Japanese yen, and the Chinese yuan all appreciated sharply against the greenback. The yuan's climb on Thursday also had implications for the digital currency bitcoin, which saw its value deteriorate by as much as 20% over the last two trading days of the week.

US nonfarm payrolls rose by 156,000 in December, crossing the 2 million mark for the year of 2016. The 156,000 number was slightly under the average of 2016, but also marked a number of milestones. December was the 75th consecutive month of net payroll gains, the longest since 1939. Teen unemployment dropped to 14.7% from 15.2%, the first time under 15.0% since the end of the 2008-2009 recession. African-American unemployment dropped to 7.8%, the lowest since August 2007. Further, the percentage of Americans between 25 and 34 who are unemployed dropped below 22.0% for the first time since September 2008. This was also a new low for the number of part time workers who could only find part time work.

An estimated 43,000 of the new hires in December were in the healthcare sector, and mining, oil and gas extraction dropped to 3.7%, down from 11.2% one year ago. Restaurants, financial services, and manufacturing also showed increases. The unemployment rate rose slightly to 4.7%, and average hourly earnings were up 2.9% year over year, and an annual growth rate of 2.9%. The final tally for jobs created under outgoing President Barack Obama stands at 11.3 million.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Markit US Manufacturing PMI	54.3	51.5	▲
Initial Jobless Claims	235,000	246,000	▼
Unemployment Rate	4.7%	4.9%	▼
Nonfarm Payrolls Net Additions	156,000	208,000	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	19963.80	1.02%	1.02%	18.08%
NASDAQ	5521.06	2.56%	2.56%	14.17%
S&P 500 LargeCap	2276.98	1.70%	1.70%	14.41%
MSCI EAFE	1721.77	2.24%	2.24%	4.35%
Barclays Aggregate US		0.45%	0.45%	2.64%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.51%	0.49%	0.20%
10-Year Treasury	2.42%	2.39%	2.17%

REPORTS DUE NEXT WEEK	LATEST
NFIB Small Business Index	98.4
JOLTS	5.5 mln
Retail Sales	0.1%
Producer Price Index	0.4%
Consumer Sentiment	98.2

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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