



THE WEEK IN REVIEW

U.S. equities finished slightly down for the week with the exception of a moderate gain in the NASDAQ Composite. The consumer discretionary and technology sectors were the best performers in the S&P 500 Index, while real estate and energy were the worst performers. Small-business optimism in America increased by the largest amount since 1980 as firms' expectations for the economy improved significantly. The NFIB Small Business Optimism increased by 7.4 points to 105.8. Additionally, the University of Michigan consumer sentiment index fell to 98.1 in January, though it remains near its highest level in 13 years. Potential political policies seem to be driving consumer sentiment. Approximately 44% of respondents cited government policies in the most recent survey, compared with 6% who mentioned them from 1960-2000.

Crude oil inventories rose 4.1 million barrels last week, up 7.1% from last year at this time. Crude oil imports rose significantly as well, averaging 9.1 million barrels per day, up roughly 1.9 million barrels per day. Oil prices were volatile for the week, ending slightly lower overall. Mid-week oil prices posted the largest two-day gain in almost six weeks, after Saudi Arabia reported it reduced production even more than required by the recent OPEC agreement. Crude has advanced since OPEC's December deal to limit global supply, however it has not been able to sustain that increase above \$55 a barrel. This is likely due to concerns that rising prices could spur more production, specifically in the United States.

The December Retail Sales report was released Friday. The month-over-month change came in slightly below consensus of 0.7% at 0.6%. The majority of the increase was isolated to vehicles. Subtracting autos and gas, retail sales were flat. Brick and mortar retailers continued to look unsteady as department store sales fell 0.6% for the month and electronic and appliance store sales fell 0.5%. The data suggests light in-store sales for the holiday season. Restaurant sales fell 0.8% for the month, the largest decline in almost a year. E-commerce continued to show strong growth as non-store retail sales increased 1.3% for the month.

The Producer Price Index (PPI) readings were also released Friday for the month of December. The PPI measures prices received by domestic producers for goods and services. The PPI reported moderate gains for December, up 0.3% month over month and 1.6% year over year. The report was in line with consensus. The 0.3% increase was driven primarily by food and energy. Energy prices were up 2.6% to reflect the 7.8% monthly increase in gasoline. Food prices rose 0.7% for the month.

Initial weekly jobless claims remain very low at 247,000 for the week of January 7, below consensus expectations of 255,000. The data continues to suggest the labor market is strong and stable.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Index	105.8	94.1	▲
JOLTS (in millions)	5.52	5.45	▲
Retail Sales (YoY)	4.1%	3.3%	▲
Producer Price Index (YoY)	1.6%	0.7%	▲
Consumer Sentiment	98.1	87.2	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	19885.73	-0.39%	0.62%	23.12%
NASDAQ	5574.12	0.96%	3.55%	23.16%
S&P 500 LargeCap	2274.64	-0.10%	1.60%	20.33%
MSCI EAFE	1722.24	0.49%	2.27%	6.85%
Barclays Aggregate US		0.31%	0.49%	2.20%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.52%	0.53%	0.22%
10-Year Treasury	2.40%	2.47%	2.09%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts (in millions)	1.09
Jobless Claims (in thousands)	247
Industrial Production	103.9
Consumer Price Index YoY	1.7%

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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