



## THE WEEK IN REVIEW

The post-election stock rally cooled off over the last two weeks as investors adopted a wait-and-see approach ahead of Friday's presidential inauguration. Investors are waiting for more clarity on which policies President Trump will prioritize in his first few days and weeks in office. The Dow Jones Industrial Average fell for a fifth consecutive day this Thursday, its longest losing streak since before the election. A pullback in the financial sector, which was the biggest driver of the post-election rally, is the primary reason for the stock market's recent weakness. The financial sector was down 2.2% this week through Thursday.

A surge in government spending and credit growth boosted China's economic growth to 6.7% in 2016 marking China's weakest annual growth since 1990. Economists expressed concern that China is prioritizing its economic growth while sacrificing much needed reforms such as too much debt and overcapacity. An 11.0% expansion in lending in 2016 contributed to an increase in the country's debt-to-GDP ratio to 277%, up from 254% in 2015. Economists speculate China is relying on its old growth drivers of robust government spending and real estate investment to improve economic stability ahead of important leadership changes at the 19th Party Congress in the fall of 2017. The Party Congress is a twice-a-decade meeting where the Chinese Communist Party's top leaders are selected.

U.S. consumer prices accelerated in line with expectations on the back of rising costs in fuel, housing and medical care which pushed annualized core inflation (excluding food and energy prices) closer to the Federal Reserve's 2.0% goal. The Consumer Price Index (CPI) rose 0.3% in December, matching the median projection of economists, after a 0.2% gain the previous month, according to the Labor Department. A string of sharp gains since late summer helped drive up headline inflation by 2.1% for the full year, marking the biggest increase since a 3.0% gain in 2011. Americans are paying more for fuel, housing and doctor visits, countering the largest decline in grocery prices since the Great Recession. The spike in inflation has partly offset a steady uptick in workers' compensation, with real or inflation-adjusted wages rising a modest 0.8% in 2016. The cost of medical care, another big expense, also picked up, increasing 4.1% in 2016 to register the biggest increase in nine years, CPI figures showed.

New housing construction increased more than expected in December amid a rebound in multifamily units. According to a Commerce Department report released Thursday, housing starts jumped 11.3% to a seasonally adjusted annual rate of 1.23 million units last month. November's starts were revised up to a 1.10 million unit rate from the previously reported 1.09 million unit pace. However, homebuilder confidence in the U.S. saw a modest pullback in the month of January, according to a report released by the National Association of Home Builders (NAHB). The Housing Market Index, a gauge of builder opinion on the relative level of current and future single-family home sales, dipped to 67 after jumping to a revised 69 in December. Despite the drop, the NAHB believes the index "remains on firm ground."

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Housing Starts (in millions)	1.23	1.052	▲
Industrial Production MoM	0.8%	-0.2%	▲
Consumer Price Index YoY	2.1%	1.5%	▲
Jobless Claims (in thousands)	234	267	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	19827.25	-0.29%	0.33%	25.75%
NASDAQ	5555.33	-0.34%	3.20%	24.23%
S&P 500 LargeCap	2271.31	-0.15%	1.45%	22.16%
MSCI EAFE	1712.23	-0.90%	1.68%	12.80%
Barclays Aggregate US		-0.37%	0.00%	1.56%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.49%	0.51%	0.26%
10-Year Treasury	2.47%	2.56%	1.98%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (in millions)	5.61
New Home Sales (in thousands)	592
Durable Goods Orders MoM	-4.6%
U.S. GDP QoQ Annualized	3.5%
Consumer Sentiment	98.1

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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