



THE WEEK IN REVIEW

Two reports released this week provided investors with a final update on the housing market for 2016. Existing home sales declined 2.8% in December to a total annualized rate of 5.49 million units. A lack of supply seemed to put pressure on December sales. According to the National Association of Realtors, supply has not been this low since 1999. According to Bloomberg, the total number of houses on the market has declined by 11% since November. Despite the limited supply, median prices have remained moderately stable. Fast forward to Thursday's new home sales report and the message is a little more jarring. New home sales declined by 10% from the prior period, though prior periods have been revised upward. The key indicator that is cited most is the three-month average, which declined to an annualized pace of 568,000 units, the softest reading since June. Alternatively, supply is starting to tick up and is 10% higher than a year ago. Prices of new homes increased 4.3% from the prior period and 7% year over year which could have affected the decline.

Turning to the broad economy, the preliminary reading of fourth quarter real GDP was released, pointing to an economy slowing more quickly than expected. The actual number came in at 1.9% compared to the Bloomberg consensus estimate of 2.2%. The trade deficit is cited as the largest detractor in the report, while consumer spending and business investment continued as a steady growth engine. Likely thanks to a strong dollar and a softer global economy, exports dropped 4.3% while imports jumped 8.3%.

This week was one of the busiest of earnings season, as 107 S&P 500 Index companies (or 21% of the broad index) reported their quarter ending in December. Several notable, blue-chip firms that reported well received earnings were commercial airline-maker Boeing, Co. software giant Microsoft, Corp., defense contractor General Dynamics, Corp. and semiconductor manufacturer Texas Instruments, Inc. On the negative side of the earnings ledger, network operator Verizon Communications, Inc., upscale coffee retailer Starbucks, Corp., and integrated oil giant Chevron, Corp. provided investors with disappointing earnings in their most recent quarter or 2017 and outlooks that were less optimistic than expected.

Of the 152 S&P 500 Index companies reporting thus far, approximately 74% have issued quarterly earnings that exceeded Bloomberg consensus analyst estimates. This is roughly in line with the 76% of S&P 500 constituents that exceeded estimates for the previous reporting period. Aggregate year-over-year earnings growth was approximately 4.4% for those 152 companies that have reported this quarter, while aggregate year-over-year sales growth was a bit lower at 2.7%. The highest levels of both earnings and sales growth this quarter have emerged from the Technology and Health Care sectors. Looking forward to next week, widely followed companies scheduled to report their December quarter results include Pfizer, Inc., ExxonMobil Corp., Apple, Inc. and Visa, Inc.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (in millions)	5.49	5.49	-
New Home Sales (in thousands)	536	574	▼
Durable Goods Orders MoM	-0.4%	0.3%	▼
U.S. GDP QoQ Annualized	1.9%	3.5%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20093.78	1.34%	1.68%	26.02%
NASDAQ	5660.78	1.90%	5.16%	26.69%
S&P 500 LargeCap	2294.69	1.03%	2.50%	21.87%
MSCI EAFE	1739.53	1.16%	3.30%	9.73%
Barclays Aggregate US		-0.12%	-0.09%	1.51%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.51%	0.51%	0.32%
10-Year Treasury	2.48%	2.56%	2.00%

REPORTS DUE NEXT WEEK	LATEST
Personal Income	0.0%
PCE Core MoM	0.0%
ISM Manufacturing	54.5
Construction Spending MoM	0.9%
Initial Jobless Claims	259K

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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