MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 2/10/17

THE WEEK IN REVIEW

Reflation has come back into focus as U.S. stocks and the dollar rose amid President Trump's Friday morning comments on business tax reform. Investors continue to analyze whether future Trump administration economic policies may reignite inflation. U.S. stocks continued their rally as the S&P 500 finished up by 0.87% for the week and touched all-time highs Friday after President Trump's announcement that he would release his plan to reform the U.S. corporate tax system in the next few weeks. The U.S. 10-Year Treasury fell roughly 8bps, or 0.08% for the week.

Crude oil inventories increased by 13.8 million barrels in the week ending February 3rd to 508.6 million, posting the fifth weekly increase in a row and pushing the YoY gain to 8.1%. Gasoline inventories decreased by 0.9 million barrels to 256.2 million, but remain above the five-year average range. The Baker Hughes North American rig count is up 21 for the current week. The new administration's policies have had a split effect on the oil and gas industry. On one hand, the Dakota Access Pipeline and the reconsideration of the Keystone XL pipeline have been interpreted as positives for the industry. However, the possible border tax adjustment could have significant negative impacts due to roughly 9 million barrels of oil imports per day.

Consumer sentiment is easing back but still remains very strong. The University of Michigan Consumer Sentiment Index preliminary reading for February came in at 95.7, roughly 3 points lower than post-election readings, but still the sixth highest level of the cycle. The report described how consumer views appear to be split down political party lines. Among Republicans, the expectations index is close to record highs, while among Democrats it remains near record lows. Overall, the readings in the report were generally favorable.

The Jobless Claims report was released Thursday. The report pointed to continued strength in employment as jobless claims came in at 234,000, below the 246,000 from the prior report and below the consensus estimate of 250,000. The reading was the lowest since November and one of the lowest on record.

American exports for December 2016 were higher for the month as the trade deficit came in lower than expected at $-44.3 billion versus the consensus of $-45.0 billion. Exports rose 2.7% for the month, offset by a 1.5% rise in imports primarily driven by automotive imports. The report was also boosted by strong demand for U.S. services. The petroleum deficit remained unchanged for the month at $6.1 billion. The report suggested improved global demand and strong international trade for both imports and exports.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Trade Deficit (in billions)	$-44.3	$-36.5	▼
JOLTS (in millions)	5.5	5.5	-
U. of Mich. Consumer Sentiment	95.7	98.2	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20269.37	0.99%	2.56%	27.36%
NASDAQ	5734.13	1.19%	6.52%	33.86%
S&P 500 LargeCap	2316.10	0.81%	3.45%	25.07%
MSCI EAFE	1734.20	-0.44%	2.98%	14.67%
Barclays Aggregate US		0.49%	0.52%	1.04%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.53%	0.51%	0.31%
10-Year Treasury	2.41%	2.38%	1.67%

REPORTS DUE NEXT WEEK	LATEST
PPI (YoY)	1.6%
CPI (YoY)	2.1%
Retail Sales (Prior Month)	0.6%
Industrial Prod. (Prior Month)	0.8%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.