



THE WEEK IN REVIEW

The stock market's rally stalled late in the week as the S&P 500 index fell Thursday after seven consecutive days of gains, resulting in an increase of 2.5% since the close on Monday, February 6th. During the seven-day rally, the Financials sector was the top performer, posting a gain of 5.1%. Shares of financial companies rose sharply after last Friday's announcement that Federal Reserve Governor Daniel Tarullo will resign in April. Tarullo informally held the Federal Reserve's top banking regulation position since the Obama administration did not fill the position after it was created under Dodd-Frank. The Trump administration suggested it will fill Federal Reserve vacancies with officials that support lighter banking regulation. Financial stocks received additional support from Federal Reserve Chair Janet Yellen's semiannual monetary policy testimony to Congress. Yellen signaled the Fed could consider raising interest rates at its next policy meeting in March. Bank profits tend to be supported by increasing interest rate levels.

Housing starts fell 2.6% in January despite warmer weather than usual. Multifamily construction brought down overall starts with a monthly decline of 10.2% while single-family construction continued to improve with an increase of 1.9%. Building permits for future construction remain near post-recession highs, indicating home builders remain optimistic about demand.

U.S. consumer prices recorded their biggest monthly increase in nearly four years during January as households paid more for gasoline and other goods, suggesting inflation pressures could be picking up. On Wednesday the Labor Department announced that its Consumer Price Index (CPI) climbed 0.6% last month, marking the largest jump since February 2013. As has been the case of late, a rise in the cost of gasoline accounted for almost half of the increase in consumer inflation in January. The cost of filling up at the gas station has risen to a nationwide average of \$2.30 a gallon from just under \$2.00 a gallon last spring, according to government data. Core CPI, which strips out food and energy costs, gained 0.3% last month after increasing 0.2% in December. These figures underscore Federal Reserve Chair Janet Yellen's congressional testimony on Tuesday, at which she indicated more interest rate increases will be appropriate if inflation picks up and the labor market remains tight. The Fed has a 2.0% inflation target and tracks an inflation measure which is currently at 1.7%.

Adding further to inflationary pressure, last month U.S. producer prices recorded their largest gain in more than four years amid increases in the cost of energy products. Rising raw material costs are boosting producer prices across the globe, notably in China, which is the biggest source of U.S. imports. The U.S. Labor Department said on Tuesday its Producer Price Index for final demand jumped 0.6% last month, which was the biggest rise since September 2012 and followed a 0.2% gain in December.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
PPI (YoY)	1.7%	0.8%	▲
CPI (YoY)	2.5%	1.6%	▲
Retail Sales (MoM)	0.4%	0.7%	▼
Industrial Prod. (MoM)	-0.3%	0.3%	▼
Housing Starts (Annualized)	1.24 M	1.32 M	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20624.05	1.75%	4.36%	25.34%
NASDAQ	5838.58	1.82%	8.46%	28.77%
S&P 500 LargeCap	2351.16	1.51%	5.02%	22.02%
MSCI EAFE	1759.39	1.04%	4.48%	12.82%
Barclays Aggregate US		-0.16%	0.31%	1.37%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.51%	0.52%	0.30%
10-Year Treasury	2.42%	2.33%	1.82%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Annualized)	5.49 M
New Home Sales (Annualized)	536,000
Consumer Sentiment	95.7

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

Opinions herein are as of the publication date; and are subject to change without notice, they are not statements of facts and may include "forward-looking statements" which may or may not be accurate over the long term. The week is calculated beginning with Monday's market open. Report includes candid statements and observations regarding investment strategies, asset allocation, individual securities, and economic and market conditions. Statements, opinions or forecasts not guaranteed. Do not place undue reliance on forward-looking statements. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Indices and sector statistics are unmanaged and are a common measure of performance of their respective asset classes. Indices are not available for direct investment. Past performance is not indicative of future results. The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur. Investing for short periods may make losses more likely. Not a deposit, not FDIC insured, may lose value, not bank guaranteed, not insured by any federal government agency.