



THE WEEK IN REVIEW

Major U.S. equity indexes traded in a relatively tight range in the holiday-shortened week. The S&P 500 Index gained 0.7% to close Friday at an all-time high of 2,367.34. Traditionally defensive sectors including those with relatively high dividend yields like Utilities, Telecommunications and Consumer Staples, were the best performing S&P 500 sectors this week. A back-up in the benchmark ten-year U.S. Treasury yield this week of approximately 0.09% (or 9 basis points) most likely supported these S&P 500 sectors relative to the broad index. Meanwhile, the blue-chip Dow Jones Industrial Average (DJIA) fared slightly better than the S&P 500 with a weekly gain of 1.0%. The DJIA, which closed the week at 20,821.76, reached its eleventh straight all-time closing high on Friday.

Across the commodities complex, a further decline in natural gas prices was among the biggest headlines this week. Warm weather across many parts of the U.S. has reduced demand for heating oil and led to increases in storage volumes. As of the end of this week, natural gas is both the worst performer and most volatile member of the Bloomberg Commodities Index.

The last full week of February was full of important context in building a picture of the U.S. economy's path forward in 2017. The week started out on Tuesday with U.S. existing home sales for January reaching a 10-year high at an annualized rate of 5.69 million units, well above the surveyed level of 5.55 million units. In contrast, new home sales data was released today and though annualized unit sales of 555,000 is a 3.7% increase from the prior month, it falls short of the 6.3% rise predicted by economists polled by Reuters. Regardless, the uptick in sales is reassuring following last month's 10% decline. Between the beginning of November and the end of December, the Bankrate US Home 30-Year fixed average showed a rapid rise in mortgage rates from 3.5% to almost 4.2%. By mid-January the average rate was below 4.0% again, suggesting new home purchasers may have been trying to act quickly to beat the next round of rate increases.

Minutes from the policy-setting Federal Open Market Committee's (FOMC) most recent meeting suggested officials view another interest rate hike as appropriate in coming months if stronger-than-expected labor market and inflation data materialize. On Thursday, newly appointed Treasury Secretary Steve Mnuchin, during a CNBC interview said, "the number one issue (of the economic agenda) is growth," and that tax reform is the greatest tool they have. Secretary Mnuchin indicated that he hopes to have something passed regarding tax reform by the August Congressional recess. He further indicated that the administration's priorities will be middle income tax cuts and making the U.S. corporate tax lower and more competitive.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Annualized)	5.69M	5.53M	▲
New Home Sales (Annualized)	555,000	575,000	▼
Consumer Sentiment	96.3	93.8	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20821.76	0.96%	5.36%	26.31%
NASDAQ	5845.31	0.12%	8.59%	28.68%
S&P 500 LargeCap	2367.34	0.69%	5.74%	22.67%
MSCI EAFE	1764.17	0.53%	4.76%	15.11%
Barclays Aggregate US		0.24%	0.68%	1.28%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.50%	0.50%	0.33%
10-Year Treasury	2.31%	2.47%	1.75%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	-0.5%
GDP Price Index	1.4%
Chicago Purchasers Manager Index	50.3

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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