



THE WEEK IN REVIEW

U.S. equities hit all-time highs this week as the S&P, Dow Jones Industrial Average and Nasdaq all hit new peaks on Wednesday. While stocks gave back some of the gains later in the week, the S&P 500 was nonetheless up 0.7%. Much of the positive sentiment came after President Donald Trump addressed Congress in a nationally televised speech, promising tax relief to the middle class and corporations, as well as an increase in infrastructure spending and deregulation. Ten-Year U.S. Treasury rates also rose this week, ending around 2.48%. Rates rose on rising inflation expectations, as January's PCE came in at the highest levels in more than four years. The year over year, seasonally adjusted rate of 1.9% is the highest since October of 2012, and an increase over the 1.6% seen in December. Much of the recent rise in inflation has been in conjunction with a rise in oil prices, which have rebounded to the \$50-55 range from early 2016 lows of \$26.21 per barrel. Core PCE, which excludes food and energy, has remained steady, hovering in the 1.6-1.7% range for the past 13 months, even as the labor market has tightened and personal income levels have risen.

Consumer confidence rose to a 15-year high in February, up to 114.8 from 111.6 in January, according to a report released Tuesday. Much of the strength in the report comes from the perceived strength of the labor market, as only 20.3% of those surveyed found jobs "hard to get", the lowest level in 8 years. This is in line with the weekly jobless claims level of 223,000, the lowest since the recession and 104th consecutive week under the important 300,000 threshold. A four-week average of claims dropped to the lowest level since April of 1973, dipping by 6,250 to 234,250. The February "present conditions index", a component of consumer confidence, rose to 133.4, and the expectations component rose to 102.4 from 99.3, suggesting consumers are optimistic about the present and future.

Home prices rose an impressive 5.8% in December compared to one year ago, driven by a 5.6% increase in the concentrated, 20-city portion of the index. Cities leading the way include Seattle, up 10.8% from last year, Portland, up 10%, and Denver, rising 8.9%. None of the major cities suffered price declines over the past year. The broad index is now 0.5% higher than the July 2006 peak, although the 20-city index remains 6.7% lower.

Finally, ISM manufacturing and nonmanufacturing indexes both came in with impressive February levels, beating expectations by more than 1% each, with both remaining above the key 50% expansionary level. ISM nonmanufacturing, or services, rose to the highest level since October 2015, coming in at 57.6%, suggesting that the service side of the American economy is in the midst of a healthy expansion. The manufacturing report also rose to 57.5%, the highest level since August 2014.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Consumer Confidence	114.8	109.4	▲
Case-Shiller House Price Index (% cha	5.85%	5.29%	▲
ISM Manufacturing	57.7	53.5	▲
ISM Non-Manufacturing	57.6	56.2	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21005.71	0.88%	6.29%	23.97%
NASDAQ	5870.75	0.44%	9.06%	24.71%
S&P 500 LargeCap	2383.12	0.67%	6.44%	19.55%
MSCI EAFE	1758.48	0.46%	4.42%	9.11%
Barclays Aggregate US		-0.88%	0.17%	0.90%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.70%	0.50%	0.27%
10-Year Treasury	2.48%	2.46%	1.83%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	1.8%
Nonfarm Payrolls	227,000
Unemployment Rate	4.8%
Trade Balance	-\$44.3B

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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