MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 4/13/17

THE WEEK IN REVIEW

The holiday-shortened trading week ended with a risk-off tone, leading to a weekly decline of 1.1% for the S&P 500, while the Dow Jones Industrial Average fell 203 points to close at 20,453. Meanwhile, yields on the benchmark ten-year U.S. Treasury note dipped 0.15% (or 15 basis points), to close Thursday at their lowest level since November 10th. Gold prices continued their recent positive momentum, rising 2.5% on the week. Market environments where investors perceive increased risks tend to coincide with falling bond yields and higher gold prices. A trio of geopolitical developments which have unfolded over the past week has created a more cautionary tone across markets: the U.S. military action in Syria, expectations of another North Korean nuclear test and increased uncertainty surrounding the French presidential election associated with the recent ascent of Socialist candidate Jean-Luc Melenchon.

On the domestic economic front, U.S. consumer sentiment rose to a three-month high in April. The preliminary sentiment index rose to 98.0 from 96.9 in March. The current conditions measure, which assesses Americans' perceptions of their personal finances, increased to 115.2, the highest level since November 2000. This optimism has been driven by a robust labor market and confidence that growth-boosting policies will continue under the new administration. However, the expectations measures remain split between party lines, with 69% of Republicans referencing a favorable outlook for employment and economic policies, compared to roughly 28% of Democrats.

The Producer Price Index (PPI), which measures the average change over time in the prices received by domestic producers of goods and services, fell 0.1% in March versus expectations of no change. When excluding food and oil which fell sharply in March, prices were unchanged versus expectations of a 0.2% increase. Despite last month's drop in prices, the PPI rose 2.3% YoY, the largest gain since March 2012.

Earnings season for the largest U.S banks started Thursday morning with JP Morgan Chase & Co, Wells Fargo & Co., and Citigroup, Inc. reporting first quarter results. JP Morgan easily beat estimates for revenue and earnings, as its financial performance was boosted by record income in the investment banking and commercial banking business lines. Wells Fargo beat on earnings but revenue figures missed expectations. The miss was driven by higher costs and weaker mortgage banking revenue. Wells Fargo continues to work towards rebuilding trust with customers and shareholders following the firm's significant sales scandal. Citigroup reported earnings that beat on the top and bottom line. Revenue from fixed income trading increased 19% YoY to $3.62 billion. Analysts remain hopeful that prospective deregulation enacted under the new administration will provide a significant tailwind for banks.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
JOLTS (Millions)	5.743	5.631	▲
Producer Price Index (YoY)	2.3%	1.6%	▲
U. of Mich. Consumer Sentiment	98	99	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20453.25	-0.98%	3.49%	14.21%
NASDAQ	5805.15	-1.24%	7.84%	17.34%
S&P 500 LargeCap	2328.95	-1.13%	4.03%	11.84%
MSCI EAFE	1785.40	0.30%	6.02%	7.13%
Barclays Aggregate US		0.45%	1.43%	0.74%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.80%	0.74%	0.22%
10-Year Treasury	2.24%	2.63%	1.76%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts (Millions)	1.29
Industrial Production	0.1
Existing Home Sales (Millions)	5.48

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