MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE

5/5/17

THE WEEK IN REVIEW

Earnings season continued this week, as strong results from high profile technology stocks led major U.S equity indexes higher. Apple Inc., Alphabet Inc., Microsoft Corp., Amazon.com Inc., and Facebook Inc. all reached record highs on Monday. This was the first time these companies, the five largest companies in the S&P 500, reached new highs on the same day. All reported stronger-than-expected earnings per share over the last two weeks. Later in the week, the energy sector dragged down equity indexes. Energy stocks fell 1.9% on Thursday in response to a 4.8% decline in the price of WTI crude oil to $45.52, the lowest price since last November. Oil prices plunged after government data showed crude oil inventories declined by 930,000 barrels in the previous week, less than half the 2.3 million barrel decline expected by analysts. Oil inventory has been closely monitored by investors as a persistent oversupply has weighed on oil prices. Oil prices were also impacted by news that Russia has not decided whether it will extend the six-month agreement among OPEC and non-OPEC countries to cut oil production.

The House of Representatives narrowly approved a bill to repeal and replace most of the Affordable Care Act. The bill faces an uncertain future as it heads to the Senate. Multiple Senate Republicans have expressed concern over the bill's current form and it is expected to undergo significant revisions. Current support for the bill suggests the Senate vote will be very close. Health care stocks were modestly higher after the House vote.

Initial jobless claims fell sharply for the week of April 29, to a level of 238,000. The reading came in below consensus of 246,000 and reverses the prior week's jump of 14,000 to 257,000. The data indicates the trend of low jobless claims persists, suggesting continued strength in the labor market. The strength in the labor market continues to pull down the unemployment rate to 4.4% which is the lowest reading since May 2001. Despite the tightness in the labor market, year-over-year wage growth came in below the consensus of 2.7% with a reading of 2.5%. It remains to be seen whether strength in employment will flow through to wages.

The Federal Reserve kept its benchmark interest rate unchanged at its May meeting held this week. The post-meeting statement indicated slower economic growth in the first quarter was likely to be transitory and pointed to labor markets which have continued to show strength. The Fed decided to maintain its rate forecast which includes two additional 0.25% increases this year. Following the meeting, the probability of a June rate hike based on federal fund futures spiked to 90% from 60%. The probability rose throughout the rest of the week and reached 95% on Friday.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-Farm Payrolls	211,000	216,000	▼
Unemployment Rate	4.4%	4.8%	▼
ISM Manufacturing	54.8	56.0	▼
ISM Non-Manufacturing	57.5	56.5	▲
Personal Consumption Expenditure (YoY)	1.6%	1.7%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21006.94	0.32%	6.30%	18.95%
NASDAQ	6100.76	0.88%	13.33%	29.33%
S&P 500 LargeCap	2399.29	0.63%	7.17%	17.00%
MSCI EAFE	1853.24	1.07%	10.05%	12.89%
Barclays Aggregate US	2002.30	-0.28%	1.31%	0.26%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.88%	0.80%	0.19%
10-Year Treasury	2.35%	2.34%	1.75%

REPORTS DUE NEXT WEEK	LATEST
JOLTS (Millions)	5.743
Producer Price Index (YoY)	2.3%
Consumer Price Index (YoY)	2.4%
Retail Sales (MoM)	-0.2%
U. of Mich. Consumer Sentiment	97.0

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