



THE WEEK IN REVIEW

Market volatility reemerged this week as a series of political woes and potentially damaging media reports facing the Trump administration caused investors to abruptly sell stocks on Wednesday. Assets viewed as safe havens including gold, the Japanese Yen and longer-dated U.S. Treasury bonds, all rallied in the final three days of the week. The CBOE S&P 500 Volatility Index (VIX), which is a measure of U.S. stock market volatility, surged from 10.6 to over 16.3 Thursday morning before retreating to 12.0 end of day Friday.

On Wednesday, the blue chip Dow Jones Industrial Average declined 1.8% which was its worst one-day retreat since last September. Prior to the mid-week losses, the major U.S. stock averages had been resiliently quiet despite the building drama in Washington. The S&P 500 Index, which also fell 1.8% on Wednesday, had traded in a very narrow range between 2,380 and 2,405 from April 25 to May 16. In recent days, investors seem to be expressing uncertainty that the Trump Administration will be able to focus anytime soon on the more market-friendly aspects of its domestic agenda, including tax reform and infrastructure spending.

In corporate earnings news, high profile national retailers Wal-Mart Stores, Inc. and The Home Depot, Inc. both reported first quarter earnings which showed impressive sales growth in locations open more than one year, and beat Wall Street estimates. Wal-Mart pointed to growth in its online platform as a major driver of its financial results, whereas Home Depot continued to ride the related trends of Americans allocating money towards home improvement projects and rising home prices nationwide. The results of these two Dow stocks were especially impressive given the broad-based weakness in most of the U.S. retail sector in recent quarters.

Turning to notable economic data releases this week, the March housing starts report was weaker than expected. The number of residential units in the U.S. on which builders broke ground fell 2.6% to a 1,172,000 annualized rate which was significantly short of the bottom range of consensus estimates, according to Bloomberg. A notable bright spot in the report was single-family starts, which rose 0.4% to an annualized rate of 835,000. This was contrasted by the multi-family homes segment, which fell 9.2% to a rate of 337,000. Housing permits (generally viewed as a reliable indicator for future housing starts) fell 2.5% for the month to an annualized rate of 1,229,000.

The Conference Board Leading Economic Index (LEI) increased 0.3% in April to 126.9, building on gains of 0.3% and 0.5% in March and February, respectively. The gains in the April index were broad based, driven by all of the components of the index except for building permits and stock prices. The two largest contributors for the month were the interest rate spread, as well as the inverted average weekly initial claims for unemployment insurance. For the six-month period ending April 2017, the LEI increased at a 4.9% annual rate, more than triple the growth seen during the previous six months.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Housing Starts (Millions)	1.172	1.236	▼
Leading Economic Indicators	0.3	0.6	▼
Industrial Production	.98	-.27	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20804.84	-0.44%	5.27%	19.33%
NASDAQ	6083.70	-0.61%	13.01%	29.10%
S&P 500 LargeCap	2381.73	-0.38%	6.38%	16.75%
MSCI EAFE	1868.75	0.04%	10.97%	15.39%
Barclays Aggregate US	2017.52	0.51%	2.08%	1.47%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.90%	0.80%	0.30%
10-Year Treasury	2.23%	2.21%	1.85%

REPORTS DUE NEXT WEEK	LATEST
New Home Sales (Millions)	.621
Existing Home Sales (Millions)	5.710
U. of Mich. Consumer Sentiment	97.7
Real GDP (QoQ Annualized)	0.7%

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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