MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE

6/23/17

THE WEEK IN REVIEW

The Dow Jones Industrial Average and S&P 500 Index posted fractional gains this week, while the technology-heavy NASDAQ composite climbed 1.8%. The disparity between the best and worst-performing equity sectors was especially sharp this week. An investor rotation seemed to occur, pushing buyers away from more cyclically-oriented areas of the market sectors and towards the higher growth areas. The S&P 500 healthcare and technology sectors posted respective weekly returns of 3.7% and 2.3%, while the energy and financial sectors declined 2.9% and 1.7%, respectively. The technology sector saw some very well-received earnings reports this week from enterprise software giant Oracle Corporation and marketing and content software maker Adobe Systems, Inc.

Energy stocks' poor showing this week was driven by another leg down in crude oil prices to below $43.00 a barrel on Wednesday. Despite an extension of OPEC production cuts, growing concerns of persistently high U.S. supplies continue to weigh on oil prices. This week's declines pushed oil prices into a bear market, during which prices swiftly fell from a twelve-month closing high of $54.45 a barrel on February 23.

This week provided investors an updated glimpse into the state of the U.S. housing market. In May, existing home sales contract closings rose 1.1% from April, the median sales price rose 5.8% year over year to a record $252,800. Inventory of available properties fell 8.4% year over year to 1.96 million units. Meanwhile, median prices for new home sales increased by 16.8% year over year to a record $345,800, while the supply of homes remained unchanged at 5.3 months.

These results suggest the supply of houses in the U.S. is most likely tight and might continue to tighten. Further, housing prices could continue to increase with the supply of houses decreasing as demand increases. The supply of available properties is shrinking, with 24 straight months of year-over-year declines. Also, there are no signs of a supply rebound coming soon with construction starts for new homes having declined for three straight months and building permits touching a one-year low in May. The housing market appears strong with current economic conditions of near historically low mortgage rates, a healthier labor market, and rising wages. As a consequence, affordability for first-time buyers might become more challenging in the months and quarters ahead.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (millions)	5.62	5.47	▲
New Home Sales	610	615	▼
Leading Economic Indicators	0.3	0.4	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21394.76	0.05%	8.26%	18.79%
NASDAQ	6265.25	1.84%	16.39%	27.60%
S&P 500 LargeCap	2438.30	0.21%	8.91%	15.38%
MSCI EAFE	1886.03	-0.36%	12.00%	11.80%
Barclays Aggregate US	2031.81	0.11%	2.81%	1.32%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.96%	0.90%	0.28%
10-Year Treasury	2.14%	2.28%	1.75%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	-0.8%
S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index YOY	5.8%
Conf. Board Consumer Confidence	117.9
Real GDP (QoQ Annualized)	1.2%
Core PCE Index (YoY)	1.5%

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