FINANCIAL MARKET UPDATE
11/24/17

THE WEEK IN REVIEW

U.S. equity averages pushed higher this holiday-shortened week, as the Dow Jones Industrial Average and S&P 500 Index both advanced 0.9% on the week. Fed Chair Janet Yellen tendered her resignation from the central bank's Board of Governors upon the forthcoming swearing in of her successor Jerome Powell. Across the Atlantic, negotiations aimed at forming a coalition government in Germany collapsed in the face of disagreement about immigration policy. German Chancellor Angela Merkel indicated she would prefer to explore a fresh round of elections moving forward.

The Federal Open Market Committee (FOMC) met this week and agreed unanimously to keep its benchmark rate unchanged. Looking forward to the December 2017 FOMC meeting and beyond, hawks cited the risk of a pickup in inflation in a full employment economy, supporting near-term rate hikes. Doves argued further rate hikes could make attainment of the Fed's 2.0% percent inflation target difficult with the current weak state of price trends in various consumer sectors. A third rate hike in 2017 at the December meeting appears likely based on strong employment and industrial production data combined with accommodating financial conditions.

Consumer sentiment continued its upward trend in October with a reading of 98.5 from the University of Michigan Consumer Sentiment Index, up from the prior 97.8. The report's strength was driven by consumers' expectations for gains in income and employment. Inflation expectations remained low, at 2.5% for 2018 and 2.4% for the 5-year outlook. Retailers might be well positioned to benefit from elevated consumer confidence, as Black Friday shopping reports signaled consumers were spending more than the last two holiday seasons.

Earlier this week, the Conference Board indicated its Leading Economic Index rose 1.2% in October as the effect of the hurricanes in the south faded. According to Bloomberg, the six-month annualized LEI rose 5.9% by the end of October. The strength of the combined readings suggests that the outlook for near-term growth in the economy is positive. The largest positive contributor to the leading index was low jobless claims, providing yet another indication of a strong labor market.

Oil prices rose over the past five days as Russia and OPEC moved to extend supply cuts. The price of WTI crude oil futures looked poised to close at their highest level since August 31, 2015. Energy shares were higher today on the increased oil prices, but information technology companies led the market higher on a day with very light trading volume. According to a Bloomberg report, trading activity in the S&P 500 was about 45% lower than the 30-day average for the time of day.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Leading Economic Indicators	1.2%	0.2%	▲
Initial Jobless Claims (Thousands)	239	235	▲
U. of Mich. Consumer Sentiment	98.5	96.8	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	23557.99	0.86%	19.20%	23.45%
NASDAQ	6889.16	1.57%	27.98%	28.04%
S&P 500 Large Cap	2602.42	0.91%	16.24%	18.04%
MSCI EAFE	2013.95	1.40%	19.59%	23.92%
Barclays Aggregate US		0.26%	3.47%	3.73%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.27%	1.11%	0.49%
10-Year Treasury	2.34%	2.42%	2.35%

REPORTS DUE NEXT WEEK	LATEST
Conf. Board Consumer Confidence	126
New Home Sales (Thousands Annualized)	667
S&P CoreLogic Case-Shiller U.S. National Home Price YOY%	6.1%

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