

THE WEEK IN REVIEW

Most equity markets across the world continued their upward momentum this week on the heels of tax reform in the U.S. The S&P 500 Index rose 0.9% for the week, extending its advance in 2018 to 5.2%. Yields on the benchmark ten-year U.S. Treasury bond climbed 0.11% to close Friday at a three-year high of 2.66%. A potential U.S. federal government shutdown looms as the deadline for passing a new budget expires Friday night. Congress hopes to pass another temporary agreement to keep the government open until February 16 as they work toward passing a budget for fiscal year 2018. The failure to reach an agreement would result in a partial government closure on January 20.

The number of Americans filing for unemployment benefits fell more than expected last week to the lowest level in 45 years, but the decline likely overstated the health of the labor market as data for several states were estimated. Initial claims for state unemployment benefits dropped 41,000 to a seasonally adjusted 220,000 for the week ended January 13, the lowest level since February 1973 according to the Labor Department. Claims for the prior week were unrevised. Last week, the four-week moving average of initial claims, which is considered a better measure of labor market trends as it irons out week-to-week volatility, fell 6,250 to 244,500.

A measure of U.S. consumer sentiment slid in January for the third straight month, continuing to ease after reaching its highest level in more than a decade. The University of Michigan announced on Friday that its consumer sentiment Index was 94.4 in early January, down slightly from 95.9 in December. It had dropped in December and November after hitting the highest level since 2004 in October. High levels of consumer confidence in recent months have been driven by strong economic growth, low unemployment, rising wealth related to property values and repeated stock market highs. Despite all this, consumers viewed economic conditions less favorably this month.

Housing starts fell 8.2% for December to 1.192 million units on an annualized basis. The drop reflects an 11.8% decrease in single family starts to 836,000 and a 1.4% gain in multi-family starts at 356,000.

Monthly industrial production data for December was characterized by strong growth in mining production and weak growth in manufacturing volume. Mining production was up 11.5% year over year and up 1.6% for December. Manufacturing volumes only rose a modest 0.1% for the month. The Beige Book, formally called the Summary of Commentary on Current Economic Conditions, which is published by the United States Federal Reserve, was also released this week. The report described general economic growth across the twelve Federal Reserve Bank regions as remaining "modest-to-moderate."

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Housing Starts (Millions)	1.192	1.159	▲
Industrial Production (M/M)	0.9%	0.2%	▲
U. of Mich. Consumer Sentiment	94.4	100.7	▼
Jobless Claims (Thousands)	220.0	223.0	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	26071.72	1.04%	5.47%	32.13%
NASDAQ	7336.38	1.04%	6.27%	32.42%
S&P 500 Large Cap	2810.30	0.86%	5.11%	24.15%
MSCI EAFE	2141.65	0.73%	4.43%	25.08%
Barclays Aggregate US		-0.29%	-0.78%	2.73%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.43%	1.37%	0.50%
10-Year Treasury	2.66%	2.5%	2.47%

REPORTS DUE NEXT WEEK	LATEST
GDP	3.2%
Existing Home Sales (Millions)	5.81
New Home Sales (Thousands)	733

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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