



Market Month: April 2017

The Markets (as of market close April 28, 2017)

Equities continued their positive trend in April, spurred by favorable corporate earnings reports, proposed federal tax cuts, and positive economic signals overseas. The Nasdaq surpassed 6000 for the first time in its history, while the small-cap Russell 2000 reached a record high by the end of April. Each of the benchmark indexes listed here posted monthly gains, led by Nasdaq, which increased 2.30%, followed by the Global Dow, which gained almost 1.50% month-over-month. The large-cap Dow and S&P 500, while gaining in value, may have lagged a bit following less than favorable GDP and jobs growth. The yield on 10-year Treasuries fell 10 basis points as bond prices increased.

By the close of trading on April 28, the price of crude oil (WTI) was \$49.19 per barrel, down from the March 31 price of \$50.85 per barrel. The national average retail regular gasoline price was \$2.449 per gallon on April 24, 2017, up from the March 27 selling price of \$2.315 and \$0.287 more than a year ago. The price of gold climbed at the end of April, closing at \$1,269.50 on the last trading day of the month, up from its March 31 price of \$1,250.60.

Market/Index	2016 Close	Prior Month	As of April 28	Month Change	YTD Change
DJIA	19762.60	20663.22	20940.51	1.34%	5.96%
NASDAQ	5383.12	5911.74	6047.61	2.30%	12.34%
S&P 500	2238.83	2362.72	2384.20	0.91%	6.49%
Russell 2000	1357.13	1385.92	1400.43	1.05%	3.19%
Global Dow	2528.21	2691.45	2731.15	1.48%	8.03%
Fed. Funds	0.50%-0.75%	0.75%-1.00%	0.75%-1.00%	0 bps	25 bps
10-year Treasuries	2.44%	2.38%	2.28%	-10 bps	-16 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Month's Economic News

- **Employment:** The employment report for March showed job hirings slowed to 98,000 following gains of 219,000 in February and 216,000 in January, revised. Over the month, employment growth occurred in professional and business services (+56,000) and in mining (+11,000), while retail trade lost jobs (-30,000). The unemployment rate dipped to 4.5% — the lowest rate since April 2007. There were 7.2 million unemployed persons in March (7.5 million in February). The labor participation rate remained at 63.0%. The average workweek was 34.4 hours in March. Average hourly earnings increased by \$0.05 to \$26.14, following a \$0.06 increase in February. Over the last 12 months ended in March, average hourly earnings have risen by \$0.68, or 2.7%.
- **FOMC/interest rates:** The Federal Open Market Committee did not meet in April, but is scheduled to meet during the first week of May. The minutes from its March meeting revealed all 17 members of the Committee supported the March rate hike and agreed that the economy was at or near full employment.





Key Dates/Data Releases

5/1: Personal income and outlays

5/3: FOMC meeting

5/4: International trade

5/5: Employment situation

5/9: JOLTS

5/10: Import and export prices, Treasury budget

5/11: Producer Price Index

5/12: Consumer Price Index, retail sales

5/16: Housing starts, industrial production

5/23: New home sales

5/24: Existing home sales

5/25: International trade in goods

5/26: GDP, durable goods orders

5/30: Personal income and outlays


However, inflation remains below the 2.0% target, although several members of the Committee expected that target to be reached during the year. While the FOMC anticipated raising interest rates three times during 2017, some members of the Committee will want to see solid economic growth before voting to increase rates at the next FOMC meeting in May.

- **GDP/budget:** Expansion of the U.S. economy slowed over the first three months of 2017. According to the Bureau of Economic Analysis, the first-quarter 2017 gross domestic product grew at an annualized rate of 0.7% compared to the fourth-quarter 2016 GDP, which grew at an annual rate of 2.1%. Growth in the GDP was slowed by an increase in imports, and by weakening consumer, federal, state, and local government spending. Positives include increases in residential and nonresidential (business) investment. An indicator of inflationary trends, the price index for gross domestic purchases increased 2.6% in the fourth quarter, compared to an increase of 2.0% in the fourth quarter. As to the government's budget, the federal deficit for March was \$176.2 billion. Over the first six months of the 2017 fiscal year, the deficit sits at \$526.9 billion, which is 15.0% higher than the deficit for the first six months of the 2016 fiscal year.
- **Inflation/consumer spending:** Inflation, as measured by personal consumption expenditures, slowed a bit in March. For the 12 months ended in March 2017, the personal consumption expenditures price index expanded at a rate of 1.8%. For the 12 months ended in February, the PCE price index expanded at a rate of 2.1%. For March, personal income increased 0.2% over February. Disposable personal income (after-tax income) increased 0.2%. Personal consumption expenditures (the value of goods and services purchased by consumers) gained less than 0.1% for the month.

The prices companies receive for goods and services fell in March from February, as the Producer Price Index dropped 0.1% for the month. Year-over-year, producer prices have increased 2.3%. Energy prices play a large part in the movement of the PPI, and in March energy prices slipped 2.9%, while food prices increased 0.9%. The PPI less food and energy has risen 1.6% for the year, after recording no change in March from February.

In another sign of waning inflation, consumer prices also retreated in March, slipping 0.3% from February. For the year, consumer prices are up 2.4%. Core prices, which exclude food and energy, dropped 0.1% for the month and have increased 2.0% since March 2016.

- **Housing:** The housing sector showed strength in March as home sales, prices, and building permits increased over the prior month. Existing home sales surged in March, climbing 4.4% to a seasonally adjusted annual rate of 5.71 million, up from February's revised annual rate of 5.47 million. Existing home sales are 5.9% ahead of the sales pace from a year ago, which marks the strongest sales month since February 2007. The median sales price for existing homes rose 3.6% to \$236,400. Total housing inventory at the end of March increased 5.8% to 1.83 million existing homes available for sale (6.6% lower than a year ago). Sales of newly constructed homes also increased in March, according to the Census Bureau's report. Sales of new single-family homes expanded 5.8% in March to an annual rate of 621,000 — up from February's rate of 587,000. The median sales price of new houses sold in March was \$315,100, while the average sales price was \$388,200. The seasonally adjusted estimate of new houses for sale at the end of March was 268,000. This represents a supply of 5.2 months at the current sales rate, which is up from 266,000 homes available (supply of 5.4 months) in February.
- **Manufacturing:** Manufacturing slowed in March, according to the Federal Reserve. Manufacturing output fell 0.4% in March, led by a large step-down in the production of motor vehicles and parts. Factory output, aside from motor vehicles and parts, moved down 0.2%. Overall, industrial production increased 0.5% due to a jump of 8.6% in the output of utilities — the largest increase in the history of the index — as the demand for heating returned to seasonal norms after being suppressed by unusually warm weather in February. For the first quarter as a whole, industrial production rose at an annual rate of 1.5%. At 104.1% of its 2012 average, total industrial production in March was 1.5% above its year-earlier level. As for durable goods, the Census Bureau shows new orders increased 0.7% in March, a slower growth rate than February's revised 2.3% increase. Excluding the volatile transportation segment, new durable goods orders fell 0.2%. Orders for core capital goods (excluding defense and transportation) increased 0.2% for the month and 3.0% over the past 12 months.
- **Imports and exports:** The advance report on international trade in goods revealed that the trade gap grew by 1.4% in March. The overall trade deficit was \$64.8 billion, up from February's deficit of \$63.9 billion. Exports declined \$2.2 billion to \$125.5 billion. Imports were \$190.3 billion in March, down \$1.4 billion from February's total. The prices for U.S. imports of goods dropped 0.2% in March, led by a 3.6% drop in petroleum prices. U.S. export prices rose 0.2% for the month, after advancing a revised 0.4% in February. Export prices haven't recorded a monthly decline since the index fell 0.8% in August 2016.
- **International markets:** In France, the rise of Emmanuel Macron, a former investment banker, as the heavy favorite to win the May 7 presidential race sent stocks and the euro higher, as the eurozone continues to gain its economic footing following the financial crisis of 2008. Long-term government bond



prices continued to fall in China, sending bond yields to their highest levels in 20 months, following a sell-off of Chinese stocks. On a positive note, Greece reached a budget surplus that's eight times higher than the 0.5% primary target set by its creditors. This bodes well for continued bailout support for the financially embattled country.

- **Consumer sentiment:** Consumer confidence in the economy slid back in April. The Conference Board Consumer Confidence Index® for April fell to 120.3 from March's 123.1. While consumers expressed confidence in the job market, there was a decline in those who saw their income rising in the future. The Surveys of Consumers of the University of Michigan Index of Consumer Sentiment climbed to 98.0 in April. The March index was 96.9. Consumers expressed optimism about current economic conditions, as the Current Conditions Index increased 2.0 percentage points over March's reading.

Eye on the Month Ahead

The FOMC did not meet in April, so the Committee will have plenty of economic data to consider when it next meets during the first week of May. Job creation slowed some in March, and April's figures don't come out until May 5. The FOMC may opt to leave interest rates alone until June's meeting, to see if the labor market picks up the pace.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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