



## Market in a Minute

January 31, 2017

### Index Performance: As of Jan 27, 2017

Index	Price	Last Week	YTD
Dow Jones 30	20094	1.3%	1.7%
S&P 500	2295	1.0%	2.5%
NASDAQ	5661	1.9%	5.2%
Russell 2000	6658	1.4%	1.0%
Russell 2000 Growth	5540	1.3%	1.9%
Russell 2000 Value	10779	1.5%	0.3%
Russell 1000 Growth	1047	1.9%	4.7%
Russell 1000 Value	1383	0.8%	1.4%
Shanghai SE Index	3308	1.2%	1.8%
SPDR Gold Shares	113.49	-1.4%	3.5%
GS Crude Oil Total Return	6.14	0.3%	-3.0%
Powershares US \$ Index	25.99	-0.2%	-1.8%
Ishares EAFE Index	59.97	1.0%	3.9%
iShares Barclays 20+ Yr Treasury Bond	119.63	-0.3%	0.4%
Utilities Select Sector ETF	48.39	-0.5%	-0.4%
Vanguard REIT ETF	82.34	-1.0%	-0.2%
iShares Mortgage Real Estate	43.21	0.4%	2.7%
Wells Fargo BDC	22.69	0.0%	0.0%
Alerian MLP ETF	13.16	3.6%	4.4%
iShares Global Telecom	59.50	-1.5%	1.3%

Source: Bloomberg & MSN, Returns are appreciation only.

### S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	855	2.3%	5.8%
Consumer Disc.	677	1.4%	4.6%
Consumer Staples	537	-0.4%	1.0%

### A Word on the Market by Pat Adams, CFA

The Federal Reserve meets this week and issues a statement on Wednesday discussing interest rates. It is very unlikely they will raise rates at this meeting. The market expects a rate increase in June and followed by another by the end of the year. The Fed has said in prior releases to expect three rate increases in 2017. We would expect three in 2017 if there is tax legislation and one if there are no tax cuts this year. We believe the economy was headed into a recession prior to the election, and then with the election both the economy and the stock market seem to have gotten a quick burst of energy. This will wear off soon if we do not see some tangible signs that a tax bill is actually being worked on.

Last week the Housing data was released and it was rather sluggish, we were concerned rising interest rates were going to impact the housing market. The housing companies are not confirming this weakness. This week the most important data will be the Employment report on Friday.

We continue to view the market as being expensive; a disappointment on the tax front or a more aggressive Fed would likely bring a significant correction.

Beware of February. We have found that the November to May months tend to be good for the market, but February tends to be rather weak seasonally. In post-election years, from MKM Partners, February has an average decline of -1.9%. Things that concern us, on a technical basis is the Volatility index (VIX) is at a very low level, additionally, it has been 75 days since the market had a 1% pullback. This is the 5<sup>th</sup> longest streak since 1980. We think we could easily have a 5% or more pullback. We follow the moving averages for the trend of the market, it has been and continues to be positive, but moving averages are not predictive. Some technical indicators that track sentiment are off the charts in terms of bullish sentiment, this is a contrarian indicator. We follow the ratio of trailing P/E on the S&P 500 and the VIX, which is a fundamental ratio

Health Care	806	-0.2%	1.2%
Financials	392	2.1%	1.5%
Industrials	555	1.4%	3.1%
Energy	544	-0.5%	-1.8%
Telecommunications	171	-1.7%	-3.2%
Utilities	246	-0.5%	-0.4%
Materials	332	3.4%	6.4%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	0.50	5-Year	1.94
3-Month	0.52	10-Year	2.49
6-Month	0.63	30-Year	3.06
2-Year	1.22		

Source: Bloomberg.com

#### Economic Events This Week

<b>30-Jan</b>	Personal Income	0.4%	0.1%
<b>30-Jan</b>	Personal Spending	0.4%	0.2%
<b>31-Jan</b>	Chicago PMI	55.0	54.6
<b>31-Jan</b>	Consumer Confidence	112.5	113.7
<b>1-Feb</b>	ISM Index	55.0	54.7
<b>1-Feb</b>	Construction Spending	0.2%	0.9%
<b>2-Feb</b>	Initial Claims	250K	259K
<b>2-Feb</b>	Productivity-Prel	1.0%	3.1%
<b>3-Feb</b>	Nonfarm Payrolls	170K	156K
<b>3-Feb</b>	Nonfarm Private Payrolls	175K	144K
<b>3-Feb</b>	Unemployment Rate	4.7%	4.7%
<b>3-Feb</b>	Factory Orders	1.4%	-2.4%

Source: Briefing.com

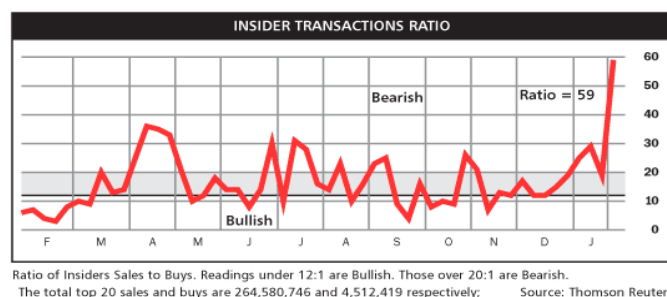
#### Economic Events Last Week

Date	Event
<b>24-Jan</b>	Existing Home Sales for Dec. came in at 5.49M which was slightly lower than expectations of 5.55M
<b>26-Jan</b>	Initial Claims for the week of 1/21 were 259K vs. estimates of 246K

with a sentiment ratio, that is flashing a disturbing number well above prior highs when the market was topping out. Above 1.20 is considered high, this ratio is approximately 1.75, higher than we can ever recall.

We expect the market to correct soon, to be followed by a significant rally into mid-year, to be followed by a significant move down similar to 2011. Of course forecasting the market is difficult and fruitless, but we firmly believe we will see significant volatility this year.

Following insider activity is very helpful at times, when insiders are buying generally this is very bullish, and when they are selling it is usually good to pay attention to it. Below is a chart of the ratio of insider sales to insider buying, this ratio indicates selling is very high and buying is very low.



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<b>26-Jan</b>	The Leading Indicators for Dec. was reported at 0.5% which was in line with forecasts
<b>26-Jan</b>	New Home Sales for Dec. were reported at 536K compared to expectations of 589K
<b>27-Jan</b>	GDP-Adv. for Q4 came in at 1.9% which is lower vs. estimates of 2.2%
<b>27-Jan</b>	GDP Deflator for Q4 was reported at 2.1% which was in line with forecasts
<b>27-Jan</b>	Durable Orders for Dec. declined - 0.4% which was well below the consensus estimates of 3.0%
<b>27-Jan</b>	Durable Orders ex-transportation for Dec. came in at 0.5% which was in line with expectations
<b>27-Jan</b>	The Michigan Sentiment for Jan. was reported at 98.5 vs. forecasts of 98.0
Source: Briefing.com	

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