



Market in a Minute

March 6, 2018

Index Performance: As of March 2, 2018

Index	Price	Last Week	YTD
Dow Jones 30	24538	-3.0%	-0.7%
S&P 500	2691	-2.0%	0.7%
NASDAQ	7258	-1.1%	5.1%
Russell 2000	7555	-1.0%	0.0%
Russell 2000 Growth	6807	-0.4%	2.4%
Russell 2000 Value	11284	-1.7%	-2.6%
Russell 1000 Growth	1348	-1.8%	3.5%
Russell 1000 Value	1525	-1.9%	-1.7%
Shanghai SE Index	3409	-1.0%	-1.6%
SPDR Gold Shares	125.39	-0.6%	1.4%
GS Crude Oil Total Return	6.80	-4.1%	4.0%
Powershares US \$ Index	23.51	0.0%	-2.2%
iShares EAFE Index	69.42	-2.7%	-1.3%
iShares Barclays 20+ Yr Treasury Bond	118.35	0.2%	-6.7%
Utilities Select Sector ETF	48.94	-2.8%	-7.1%
Vanguard REIT ETF	73.39	-2.0%	-11.6%
iShares Mortgage Real Estate	41.20	-2.0%	-8.8%
Wells Fargo BDC	19.31	-0.5%	-7.0%
Alerian MLP ETF	10.15	-2.1%	-5.9%
iShares Global Telecom	57.64	-1.6%	-4.8%

Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1180	-0.8%	6.6%
Consumer Disc.	820	-2.7%	4.4%

A Word on the Market by Pat Adams, CFA

This Friday the Employment Report is released for February, with the consensus of 200,000 new jobs created. The focus of the report will be on average hourly earnings, the year over year rise in January was 2.9%. If you remember, this set off a -12% correction in February for the S&P 500, and the 10-Year U.S. Treasury rose to just under a 3% yield. The markets have recovered considerably from the lows in February but would not like another hot report. The theory behind inflation is that it is generally driven by rising wages and occurs when the unemployment rate is low as it is currently. The market is concerned the Federal Reserve may be late or behind in raising interest rates and have to move quicker and more than expected. The new Fed chairman, Jerome Powell, said last week that there is the potential to have 4 interest rate increases this year rather than 3 that had been expected by the market.

Average Hourly Earnings of All Employees: Total Private



Last week, Trump announced a 25% tariff on steel and 10% on aluminum imports. This should not have been a surprise to the market, but the market took it very poorly. Some believed that Trump's protectionist policies before the election were going to be very negative for the stock market. It certainly is not a negative for the steel industry and it is a vital industry. The issue with the tariffs is the next shoe to drop, the reaction by other countries putting tariffs on U.S. products. Technology is the market's Achilles heel, international revenues account for 60% of revenues. Additionally, this sector is a very large weighting of the S&P 500, currently about 2x its normal level due to appreciation, and is very highly valued based on P/E ratios.

Consumer Staples	552	-1.3%	-6.1%
Health Care	967	-2.0%	1.1%
Financials	471	-2.3%	1.6%
Industrials	630	-3.3%	-1.2%
Energy	492	-2.7%	-7.8%
Telecommunications	154	-0.7%	-7.2%
Utilities	247	-2.9%	-7.6%
Materials	368	-4.0%	-2.9%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.375	5-Year	2.63
3-Month	1.65	10-Year	2.86
6-Month	1.86	30-Year	3.14
2-Year	2.25		

Source: Bloomberg.com

Economic Events This Week

6-Mar	Factory Orders	-1.3%	1.7%
7-Mar	Productivity-Rev.	-0.1%	-0.1%
8-Mar	Initial Claims	220K	210K
9-Mar	Nonfarm Payrolls	210K	200K
9-Mar	Nonfarm Private Payrolls	195K	196K
9-Mar	Unemployment Rate	4.0%	4.1%
9-Mar	Wholesale Inventories	0.7%	0.4%

Source: Briefing.com

Economic Events Last Week

Date	Event
26-Feb	New Home Sales for Jan. were reported at 593K which was well below the consensus estimates of 645K
27-Feb	Durable Orders for Jan. declined -3.7% compared to expectations of -2.0%

The market does not want to hear Trump make comments like, "Trade wars are good and easy to win." Trade wars are obviously not good for financial markets, it may turn out to be good for the American worker. The U.S. has a \$566 billion total trade deficit with the rest of the world and the U.S. Economy is about \$19 trillion in size, or about 3% of GDP. Not a big deal for the economy, but it would be a big deal for some industries if we could eliminate the trade deficit. Trump's point is as long as we have a trade deficit then we have nothing to lose, but potential for gain. The market is not seeing it that way, the U.S may not be hurt as much in a trade war, but it is still a negative. The European stock markets are down about -3% YTD, Canada -8%, and the Asian markets about flat. NAFTA appears to have been some of the reasoning for the tariff as well.

We believe the market will struggle for a while as it needs to digest the prospects for higher interest rates, increased market volatility, and now concerns about a global trade war. High volatility does not lend itself to high valuations.

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27-Feb	Durable Goods ex-transportation for Jan. was -0.3% vs. forecasts of 0.5%
27-Feb	Consumer Confidence for Feb. came in at 130.8 vs. expectations of 126.5
28-Feb	The Q4 GDP-Second Est. came in at 2.5% which was in line with estimates
28-Feb	The Chicago PMI for Feb. was reported at 61.9 which was lower compared to forecasts of 64.5
1-Mar	Personal Income for Jan. came in at 0.4% vs. expectations of 0.3%
1-Mar	Personal Spending for Jan. was in line with estimates at 0.2%
1-Mar	Initial Claims for the week of 2/24 came in at 210K which was lower than forecasts of 227K
1-Mar	The ISM Index for Feb. was reported at 60.8 vs. expectations of 58.4
1-Mar	Construction Spending for Jan. was flat compared to estimates of 0.3%
2-Mar	The Final Michigan Sentiment for Feb. came in at 99.7 which was close to the consensus forecast of 99.9
Source: Briefing.com	

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