

November 2017

EQUITY MARKETS

Stocks continued their relentless march higher during November. Fresh record highs were set once again for the major U.S. stock indices, including the S&P 500, Dow Jones Industrial Average, NASDAQ, Russell 1000, Russell 2000, and Russell 3000. The S&P 500 has increased nearly 24% since the election, driven by solid earnings growth and some hope for income tax reductions. The S&P 500 has now gone over a year without even a correction of 3%, which is a new record. November's equity rally was remarkably balanced, with growth and value stocks up similar amounts and large cap stocks just nosing out small cap stocks for the month. International stocks, both developed and emerging, trailed their large cap U.S. counterparts.

FIXED INCOME MARKETS

The yield curve continued to flatten as yields increased for bonds maturing in less than 10 years and decreased for bonds maturing in 10 to 30 years. The yield on the 10-year Treasury decreased one basis point in November to 2.37%. The Bloomberg Barclays Aggregate Bond Index posted a modest decrease in value for the month. Treasuries, investment grade corporates, high yield, and municipals all posted losses.

ECONOMIC DATA

The economy continued to grow at a solid pace in October. The labor market had a nice recovery from last month's weakness as 261,000 new jobs were added. This is the strongest job growth since July of 2016. Unemployment ticked down to 4.1%, the lowest since September of 2000. Both the ISM Manufacturing Index and ISM Non-Manufacturing Index continue to show economic growth. The estimate of third quarter real gross domestic product was nudged up to 3.3%. The housing market continued to expand. New permits were the second highest since June 2007 and new home sales were the highest since September 2007. As expected, the Federal Open Market Committee (FOMC) left rates unchanged at the conclusion of its two-day meeting on November 1st. The last FOMC meeting of the year is scheduled for December 12 to 13 and currently fed funds futures appear to be indicating a very high probability of a rate hike at that meeting. Jerome Powell was appointed as the next Chairman of the Federal Reserve. If confirmed, it is likely that Powell will continue with the modest pace of interest rate increases started by his predecessor, Janet Yellen.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	Oct	313,000	261,000	-33,000	18,000
Unemployment	Oct	4.2%	4.1%	4.2%	
ISM Manufacturing	Oct	59.5	58.7	60.8	
ISM Non-Manufacturing	Oct	58.5	60.1	59.8	
Retail Sales ex Auto & Gas	Oct	0.3%	0.3%	0.5%	0.6%
PPI MOM	Oct	0.1%	0.4%	0.4%	
PPI MOM ex Food & Energy	Oct	0.2%	0.4%	0.4%	
PPI YOY	Oct	2.4%	2.8%	2.6%	
PPI YOY ex Food & Energy	Oct	2.2%	2.4%	2.2%	
CPI MOM	Oct	0.1%	0.1%	0.5%	
CPI MOM ex Food & Energy	Oct	0.2%	0.2%	0.1%	
CPI YOY	Oct	2.0%	2.0%	2.2%	
CPI YOY ex Food & Energy	Oct	1.7%	1.8%	1.7%	
Industrial Production	Oct	0.5%	0.9%	0.3%	0.4%
Housing Starts	Oct	1,190,000	1,290,000	1,127,000	1,135,000
Building Permits	Oct	1,250,000	1,297,000	1,215,000	1,225,000
New Home Sales	Oct	628,000	685,000	667,000	645,000
Existing Home Sales	Oct	5,400,000	5,480,000	5,390,000	5,370,000
Leading Index	Oct	0.8%	1.2%	-0.2%	0.1%
Durable Goods Orders	Oct (P)	0.3%	-1.2%	2.0%	2.2%
S&P CoreLogic CS 20-City YOY	Sep	6.04%	6.19%	5.92%	5.82%
Personal Income	Oct	0.3%	0.4%	0.4%	

Personal Spending	Oct	0.3%	0.3%	1.0%	0.9%
GDP Annualized QOQ	3Q (S)	3.2%	3.3%	3.0%	
Univ. of Mich. Sentiment	Nov (F)	98.0	98.5	97.8	

P = Preliminary, S=Second, F = Final

Source: Bloomberg

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