

## December 2017

### EQUITY MARKETS

December marked the 14th consecutive month of gains for the S&P 500. The major U.S. stock indices, including the S&P 500, Dow Jones Industrial Average, NASDAQ, Russell 1000, Russell 2000, and Russell 3000 again hit record highs during the month. Returns for the full month of December were mixed as large cap stocks posted gains and small cap stocks posted losses. Value stocks outperformed growth stocks for the month. International stocks, both developed and emerging, outpaced domestic stocks during December. For the full year, growth stocks handily outperformed value stocks and large cap stocks beat small cap stocks. For the first time since 2009, International stocks outperformed U.S. stocks for the full year.

### 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 two basis points in December to 2.40%. The Bloomberg Barclays Aggregate Bond Index increased in value for the month as Treasuries and Investment Grade Corporates had positive returns. High Yield and Municipals both posted gains for the month. The yield curve flattened dramatically over the course of the year. The yield on the one month Treasury bill increased 84 basis points while the yield on the 30 year Treasury bond decreased 32 basis points.

### ECONOMIC DATA

The economy continued to grow in November. The labor market experienced its second consecutive month of job growth in excess of the 200 thousand level and unemployment remained subdued at 4.1%. Both the ISM Manufacturing Index and ISM Non-Manufacturing Index continue to show economic grow. The third estimate of 3rd quarter Real Gross Domestic Product was revised to 3.2%. The housing market continued to show strength, as both existing and new home sales hit new post-recession highs. As expected, the Federal Open Market Committee ("FOMC") raised the fed funds target rate to a range of 1.25% to 1.50% at the conclusion of its last scheduled meeting of the year. The Senate Banking Committee voted to recommend Jerome Powell as the next Chairman of the Federal Reserve. Powell's nomination is now subject to a full Senate vote. President Trump signed the GOP backed Tax Cut and Reform Bill into law after being passed by both houses of the congress.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	Nov	195,000	228,000	261,000	244,000
Unemployment	Nov	4.1%	4.1%	4.1%	
ISM Manufacturing	Nov	58.3	58.2	58.7	
ISM Non-Manufacturing	Nov	59.0	57.4	60.1	
Retail Sales ex Auto & Gas	Nov	0.4%	0.8%	0.3%	0.4%
PPI MOM	Nov	0.3%	0.4%	0.4%	
PPI MOM ex Food & Energy	Nov	0.2%	0.3%	0.4%	
PPI YOY	Nov	2.9%	3.1%	2.8%	
PPI YOY ex Food & Energy	Nov	2.4%	2.4%	2.4%	
CPI MOM	Nov	0.4%	0.4%	0.1%	
CPI MOM ex Food & Energy	Nov	0.2%	0.1%	0.2%	
CPI YOY	Nov	2.2%	2.2%	2.0%	
CPI YOY ex Food & Energy	Nov	1.8%	1.7%	1.8%	
Industrial Production	Nov	0.3%	0.2%	0.9%	1.2%
Housing Starts	Nov	1,250,000	1,297,000	1,290,000	1,256,000
Building Permits	Nov	1,270,000	1,298,000	1,297,000	1,316,000
New Home Sales	Nov	655,000	733,000	685,000	624,000
Existing Home Sales	Nov	5,530,000	5,810,000	5,480,000	5,500,000
Leading Index	Nov	0.4%	0.4%	1.2%	
Durable Goods Orders	Nov (P)	2.0%	1.3%	-0.8%	-0.4%
S&P CoreLogic CS 20-City YOY	Oct	6.25%	6.38%	6.19%	6.16%

<b>Personal Income</b>	<b>Nov</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.4%</b>	
<b>Personal Spending</b>	<b>Nov</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.3%</b>	<b>0.2%</b>
<b>GDP Annualized QOQ</b>	<b>3Q (T)</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.3%</b>	
<b>Univ. of Mich. Sentiment</b>	<b>Dec (F)</b>	<b>97.2</b>	<b>95.9</b>	<b>96.8</b>	

P = Preliminary, T=Third, F = Final

Source: Bloomberg

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