

Investment Weekly

October 30, 2017

Economic Recap

Despite two major hurricanes to hit the southern part of the U.S. during the quarter, third quarter GDP came in well above expectations at 3.0% (2.6% expected). Drivers of growth were consumer spending (2.4% vs estimates of 2.1%) and growth in equipment spending at an 8.6% annualized pace.

The ECB announced it will extend its quantitative easing (QE) program from January to September (at least) with purchases of 30 billion euros per month. The ECB also announced it will continue to buy corporate bonds. With the announcement, European corporate bond spreads tightened as demand for the asset class will continue to be supported by the ECB. The ECB left its options open for continuing its QE program by stating that it may increase the size and duration of the program if conditions warrant and that QE itself is unlikely to stop suddenly.

Now that the ECB and 3Q17 GDP numbers are behind us, all eyes are turned to inflation data that will be released on Monday (1.6% year-over-year expectations) and the FOMC meeting with an announcement on November 1st. The market is not expecting a rate hike at this meeting, but is pricing in an 85% probability of a rate hike in December.

Economic Calendar (U.S.)

Tuesday – Consumer Confidence, Employment Cost Index
Wednesday – ADP Employment Report
Thursday – Jobless Claims, Productivity & Costs
Friday – Employment Situation, International Trade

Economic Calendar (International)

Monday – EZ Economic Sentiment, DE CPI
Wednesday – GB Nationwide HPI/PMI Mfg. Index
Thursday – FR PMI Mfg. Index, BOE Announcements

Interest Rates & Yields

Rate	Current	1 Mo. Ago	1 Yr. Ago
Effective Federal Funds Rate	1.16%	1.16%	0.41%
Target 90-day T-bill	1.07%	1.00%	0.28%
U.S. 2-yr Trsy Yield	1.58%	1.48%	0.85%
U.S. 10-yr Trsy Yield	2.39%	2.33%	1.85%
U.S. 30-yr Trsy Yield	2.90%	2.86%	2.62%
U.S. 5-yr Muni Yield	1.54%	1.45%	1.36%
Investment Grade Yield	3.62%	3.58%	3.46%
High Yield	5.69%	5.43%	6.38%

Financial Market Recap

Domestic stocks continued to climb last week thanks to stellar economic data out of the United States and improved prospects for the Republican tax reform bill. Further, corporate earnings continue to be solid. All of the good news is resulting in a stronger U.S. dollar.

On Friday, we saw an impressive 3.0% growth in third quarter inflation-adjusted GDP, which compared to estimates for 2.6%. Consumption remained robust, growing 2.4%, versus an estimate of 2.1%, and a good lift was provided by strong business equipment spending.

Weekly jobless claims continued to be better than expected along with durable goods orders, new home sales for September, U.S. Manufacturing PMI for October, and the latest reading from the University of Michigan Consumer Confidence Survey.

Within the S&P 500, Information Technology, Financials, and Health Care sectors performed the strongest last week, while Telecommunication Services, Real Estate, and Materials sectors were up the least.

The market continues to gear up for next week's expected announcement by U.S. President Donald Trump of the next Federal Reserve Chair position, with Jay Powell dominating being the likely nominee according to our sources.

For the week, the S&P 500 gained 0.2% and small-caps advanced by 0.3%. Internationally, developed markets ended the week nominally higher with the S&P Developed declining 0.3% last week. Emerging markets fell 0.9%. The yield on the 10-year U.S. Treasury note finished the week at 2.39%, flat on the week.

Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	0.23%	2.55%	17.16%	23.50%
S&P 400 Mid Cap	0.27%	2.46%	12.09%	24.41%
S&P 600 Small Cap	0.30%	1.43%	10.46%	29.01%
S&P Developed Mkts ex-U.S.	-0.33%	1.02%	21.46%	22.68%
S&P Emerging Markets	-0.92%	2.07%	29.22%	23.33%
Bloomberg Commodity	0.70%	1.66%	-1.88%	-0.41%
Barclays U.S. Aggregate	-0.10%	-0.23%	2.91%	0.68%
Barclays Municipals	-0.32%	0.20%	4.87%	2.29%
Barclays U.S. High Yield	-0.12%	0.37%	7.40%	8.36%
HFRX Eq. Wgt. Hedge Funds	-0.01%	0.11%	3.91%	5.09%

All data as of market close: 10/27/2017

Source: Bloomberg

Key Private Bank



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