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Market Week: November 21, 2016

The Markets (as of market close November 18, 2016)

Treasury yields continue to climb as the 10-year rate jumped 20 basis points for the week while exceeding last year's closing yield for the first time in 2016. The dollar has been keeping pace with rising bond yields, which is good for imports but not so good for exports. Equities have apparently benefitted from money moving from Treasuries as each of the indexes listed here posted week-over-week gains, except for the Global Dow. The Russell 2000 small-cap index has been on a roll of late, climbing over 10% by the end of election week and gaining another 2.60% last week.

The price of crude oil (WTI) increased by last week's end, closing at \$45.58 per barrel, up from the prior week's price of \$43.17 per barrel. The price of gold (COMEX) continued its downward trend, closing last week at \$1,207.30 by late Friday afternoon, down from the prior week's price of \$1,225.50. The national average retail regular gasoline price decreased to \$2.184 per gallon on November 14, 2016, \$0.049 less than the prior week's price but \$0.006 more than a year ago.

Market/Index	2015 Close	Prior Week	As of 11/18	Weekly Change	YTD Change
DJIA	17425.03	18847.66	18867.93	0.11%	8.28%
Nasdaq	5007.41	5237.11	5321.51	1.61%	6.27%
S&P 500	2043.94	2164.45	2181.90	0.81%	6.75%
Russell 2000	1135.89	1282.38	1315.64	2.59%	15.82%
Global Dow	2336.45	2441.96	2428.04	-0.57%	3.92%
Fed. Funds target rate	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
10-year Treasuries	2.26%	2.15%	2.35%	20 bps	9 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Headlines

- The prices consumers pay for goods and services increased 0.4% in October and 1.6% over the last 12 months, according to the latest Consumer Price Index (CPI). Components of the CPI that saw price increases include the energy index (3.5%) and the indexes for fuel oil (5.9%) and gasoline (7.0%). The index for food was unchanged for the fourth consecutive month. The index for all items less food and energy (core prices) rose 0.1% for the second straight month, but is up 2.1% over the last 12 months. The increase in the CPI over the past year is closing in on the Fed's 2.0% inflation target, which could further strengthen the argument for an interest rate increase next month.
- Food and services sales at the retail level increased last month. The Census Bureau announced last week that advance estimates of U.S. retail and food services sales for October were \$465.9 billion, an increase of 0.8% from the previous month, and 4.3% above October 2015. Total sales for the August 2016 through October 2016 period were up 3.3% from the same period a year ago. Retail trade sales



Key Dates/Data Releases

11/22: Existing home sales

11/23: Durable goods orders, new home sales, FOMC minutes

11/25: International trade in goods

were up 1.0% from September 2016, and up 4.3% from last year. Nonstore (online) retailer sales were up 12.9% from October 2015, while miscellaneous store retailer sales were up 9.5% from last year. This retail sales report bodes well for the fourth-quarter GDP.

- The prices producers received for goods and services in October did not change compared to the prior month. Year-over-year, producer prices are up 0.8%. Prices for goods edged up 0.4% in October, but the increase was offset by a 0.3% reduction in the prices for services. Prices less foods, energy, and trade services edged down 0.1% in October after rising 0.3% in both August and September. Food prices dropped 0.8% in October, while energy prices climbed 2.5% with gas jumping 9.7%.
- October was a banner month for new home construction. According to the Census Bureau, privately owned housing starts increased 25.5% above September and are 23.3% ahead of last October. Housing completions were up 5.5% for the month and 7.2% year-over-year. And the new home-building boom should continue as the number of building permits issued in October was 0.3% ahead of the number of permits pulled in September. Across the country, housing starts experienced substantial gains in the Northeast (44.8%) and Midwest (44.1%) in October.
- Speaking before the Joint Economic Committee, FOMC chair Janet Yellen indicated that economic conditions may be sufficiently improved to prompt the Committee to raise short-term interest rates soon. The Committee has held off raising interest rates this year in anticipation of continued improvement in the labor market and a return of inflation to 2.0%. Nevertheless, Yellen warned that, "were the FOMC to delay increases in the federal funds rate for too long, it could end up having to tighten policy relatively abruptly to keep the economy from significantly overshooting both of the Committee's longer-run policy goals."
- According to the latest report from the Federal Reserve, industrial production was unchanged in October after decreasing 0.2% in September. On the positive side, manufacturing output increased 0.2%, and mining posted a gain of 2.1% for its largest increase since March 2014. Overall production was pulled down by the index for utilities, which dropped 2.6%, as warmer-than-normal temperatures reduced the demand for heating. Total industrial production in October was 0.9% lower than its year-earlier level. Capacity utilization for the industrial sector edged down 0.1 percentage point in October to 75.3%.
- We're still paying a little more for products purchased abroad (imports) compared to the prices we're receiving for products sold overseas (exports). According to the latest figures from the Bureau of Labor Statistics, U.S. import prices grew by 0.5% in October, following a 0.2% increase in September. The October increase was driven by higher fuel prices (7.5%), which more than offset declining nonfuel prices. Import prices, excluding fuel, actually fell 0.1% for the second consecutive month. The price index for U.S. exports increased 0.2% in October following a 0.3% advance the previous month. Despite the recent increases, prices for U.S. exports fell over the past year, declining 1.1%.
- The National Association of Home Builders Housing Market Index (HMI®) is based on a survey of association members concerning their opinions on the economy in general and single-family housing market conditions in particular. The HMI® for November was 63 — unchanged from October. An index reading above 50 is considered positive. Most members responded before the presidential election, which may explain why levels remained unchanged pending the election results. The index for single-family home sales over the next six months dropped from 71 to 69 in November, while the index for traffic of prospective buyers gained a bit, moving from October's reading of 46 to 47 for November.
- In the week ended November 12, the advance figure for seasonally adjusted initial unemployment insurance claims was 235,000, a decrease of 19,000 from the previous week's unrevised level. The advance seasonally adjusted insured unemployment rate fell 0.1 percentage point to 1.4%. The advance number for seasonally adjusted insured unemployment during the week ended November 5 was 1,977,000, a decrease of 66,000 from the previous week's revised level.

Eye on the Week Ahead

Trading may be light during Thanksgiving week, which could exaggerate any market movements during the holiday-shortened week. Nevertheless, the latest reports on existing and new home sales for October are out as is the Census Bureau's report on international trade in goods, which closed September with a trade balance deficit of \$56.1 billion.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and

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