



# Week in Review with Maureen Kelliher

January 1 – 5, 2018

## Capital Market Implications

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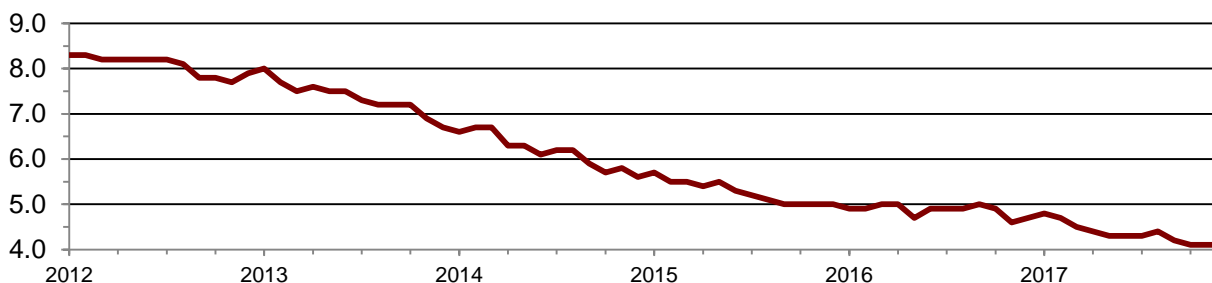
The December payroll surveys were the most important economic releases last week. ADP's employment change report for December came in above forecasts at 250,000 jobs created, while the Labor Department's nonfarm payrolls report was weaker than expected at 148,000 jobs added. Nonetheless, as we entered the New Year, labor markets in the U.S. were solid. The jobless rate at 4.1% remained the lowest since 2000 and wage gains at 2.5% year-over-year held steady. For all of 2017, the economy created 2.06 million jobs, which was below the prior year's level, but better than had been expected when the year began. The breakdown of December data across industries showed healthy employment gains in construction and manufacturing while the major loss (-20,300) occurred at the height of the holiday-shopping season in the retail sector.

Surprising many market participants, stock markets both at home and abroad got off to a strong start in 2018. For the first week of the year, the S&P 500 Index gained 2.6% while the Dow Jones Industrial Average rose 2.4%. The week's best performing equity sector was technology, which jumped 4.2%. The worst performing sectors for the week were interest-rate sensitive and included real estate and utilities, which fell -1.9% and -2.5%, respectively. Last week, international markets also performed well, as the MSCI EAFE Index increased 2.5% and emerging markets climbed 3.7%. Unlike stocks, which rallied on the prospects of better global growth last week, bonds retreated. Bonds sold off because traders were concerned accelerating growth could drive interest rates higher. For the week overall, the Barclays U.S. Aggregate Bond Index lost -0.3%, U.S. corporate bonds fell -0.4%, ten-year municipal bonds ended the week unchanged, and high yield bonds gained 0.7%.

## Weekly Macro Updates

- ▶ Weak or declining
  - ▶ Inconclusive or lacking trend
  - ▶ Strong or improving
- ▲ Initial Unemployment Claims (week of 12/30)  
240k est., 250k actual, 247k prior
  - ▲ Continuing Claims (week of 12/23)  
1928k est., 1914k actual, 1951k prior
  - ▲ ISM Manufacturing (Dec)  
58.2 est., 59.7 actual, 58.2 prior
  - ▲ ISM New Orders (Dec)  
69.4 actual, 64.0 prior
  - ▲ Wards Total Vehicle Sales (Dec)  
17.50m est., 17.76m actual, 17.40m prior-R+
  - ▲ Wards Domestic Vehicle Sales (Dec)  
13.35m est., 13.72m actual, 13.46m prior-R+
  - ▲ ADP Employment Change (Dec)  
190k est., 250k actual, 185k prior-R-
  - ▲ Change In Nonfarm Payrolls (Dec)  
190k est., 148k actual, 252k prior-R+
  - ▲ Unemployment Rate (Dec)  
4.1% est., 4.1% actual, 4.1% prior
  - ▲ Average Hourly Earnings YoY (Dec)  
2.5% est., 2.5% actual, 2.4% prior-R-
  - ▲ JOLTS Job Openings (Nov)  
6025 est., 5879 actual, 5925 prior
  - ▲ NFIB Small Business Optimism (Nov)  
107.8 est., 104.9 actual, 107.5 prior
  - ▲ ISM Non-Manufacturing Composite (Dec)  
57.6 est., 55.9 actual, 57.4 prior
  - ▲ Factory Orders (Nov)  
1.1% est., 1.3% actual, 0.4% prior-R+
  - ▲ Factory Orders Ex. Transports (Nov)  
0.8% actual, 1.2% prior-R+

U-3 U.S. Unemployment Rate Total in Labor



Last Price: 4.1  
on 12/31/2017

High on 01/31/12 8.3  
Average 6.0  
Low on 10/31/17 4.1

Source: Bureau of Labor Statistics, Bloomberg

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