

THE WEEK IN REVIEW

The last week of November was not short on activity, as Congress wound their way towards a vote on a tax cut bill, North Korea fired another long-range missile, and OPEC agreed to extend its crude oil production cuts to the end of 2018. Additionally, Jerome Powell, the Trump administration's nominee to be the next Federal Reserve Bank Chair, had his Senate nomination hearing. Finally, on Friday, former National Security Advisor Michael Flynn pleaded guilty to lying to the FBI about his communications with the Russian government.

Despite the deluge of headlines, the Dow Jones Industrial Average gained 2.9% and the S&P 500 Index climbed 1.5% for the week. Meanwhile, the technology-heavy Nasdaq Composite declined 0.6%, weighed down by shares of microchip makers and what appeared to be a sector rotation away from areas of the market exhibiting higher levels of growth. In fixed income markets, yields on the benchmark U.S. 10-year Treasury bond rose sharply beginning Wednesday to touch 2.44% on Thursday before falling back to close the week at 2.36%.

The second reading of third quarter U.S. GDP came in stronger than the advance estimate, seeing an upward revision of 30 basis points to an annualized rate of 3.3%. This figure was right in line with the consensus estimate. The increase was driven by upward revisions to government spending, nonresidential fixed investment, and inventory builds. These revisions more than offset a 0.1% downward revision in consumer spending from the initial 2.4% annualized rate to 2.3%, driven primarily by a dampened demand for durable goods.

Complementing the strong GDP report, the domestic manufacturing industry continues to emit signs of broad-based strength. The ISM Manufacturing Index posted a reading of 58.2 in November, a slight decrease from the previous month, but still well into expansion territory. Arguably the brightest spot in the report comes from an improvement in delivery times, which despite pulling the composite index down, point to alleviated supply chain concerns after this year's hurricanes caused delivery times to increase sharply. Other strong components of the index include steady backlog orders as well as production, which jumped 4.8% to 63.9 in November.

Consumers continue to remain upbeat about the economy, with the Conference Board's Consumer Confidence Index increasing 3.3 points to 129.5 in November. This reading was well above the consensus estimate of 124.5, and was the second consecutive 17-year high for the index. Consumers remain bullish on the equity markets, with 46.0% expecting stocks prices to increase over the course of the next twelve months. Those expecting equities to sell-off decreased to 19.0% from 22.7% in October. The report also points to widespread confidence in the labor market, as only 16.9% of participants described jobs as difficult to get. Optimists on the jobs outlook more than double the number of pessimists, coming in at 22.6% and 11.0%, respectively. These numbers point to healthy labor market conditions ahead of the November employment report to be released next week.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Conf. Board Consumer Confidence	129.5	120.4	▲
New Home Sales (Thousands Annualized)	685	564	▲
GDP (Annualized)	3.3%	3.1%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	24231.59	2.86%	22.61%	26.26%
NASDAQ	6847.59	-0.60%	27.20%	30.40%
S&P 500 Large Cap	2642.22	1.53%	18.02%	20.59%
MSCI EAFE	2020.13	-0.13%	19.96%	23.86%
Barclays Aggregate US	2037.02	-0.31%	3.07%	3.61%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.26%	1.16%	0.47%
10-Year Treasury	2.36%	2.37%	2.45%

REPORTS DUE NEXT WEEK	LATEST
Initial Jobless Claims (Thousands)	238
Trade Balance (Billions)	-44
Non-Farm Payrolls (Thousands)	261

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

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