



FRIDAY NOVEMBER 11, 2016

| | PRICE | CHANGE | VOLUME | UP/DN % | UP/DN VOL % |
|-------------|-----------|--------|------------|---------|-------------|
| Dow: | 18,847.66 | +39.78 | 4.99 | 123 | 113 |
| Nasdaq: | 5,237.11 | +28.32 | 2.29 | 200 | 267 |
| S&P 500: | 2,164.45 | -3.03 | | | |
| 10 yr note: | 2.12% | -1bps | | | |
| Volatility: | 14.70 | -0.04 | | | |
| EUR-USD: | 1.085 | -0.005 | Crude Oil: | 43.41 | -1.25 |
| USD-JPY: | 106.65 | +0.12 | CRB-Com: | 180.74 | -2.59 |

S&P 500 FRIDAY



S&P 500 WEEK



| | | |
|---------------|---------|---------|
| | WEEK: | YTD: |
| DOW: | +5.36% | +8.16% |
| NASDAQ: | +3.78% | +4.59% |
| S&P 500: | +3.80% | +5.90% |
| RUSSELL 2000: | +10.02% | +12.90% |

Rich valuations, tightening monetary policies and terrorism are all tougher challenges than a TV audience” –Kopin Tan

Despite uncertainty over Trump’s mid-week election, markets snapped a 2-week losing streak, rallying the most since December 2011. NYSE cumulative daily breadth also rose for the first time in 3 weeks. The Dow (+0.2%) gained to a record high for a second day today, while the Nasdaq (+0.5%) while the S&P 500 (-0.1%) fell. Nevertheless the S&P 500 remains within 1% of its record high. European stocks (+2.6%) also rallied this week while Asian stocks (-1.1%) fell.

“The Fed has the erroneous belief that, at the current 4.9% unemployment rate, the labor force is close to being fully employed. But if that were true, Trump wouldn’t have been elected” (Gary Shilling). There is a force brewing that election polls and the unemployment rate fail to reflect; the masses crucified by Williams

Jennings Bryan's golden cross and hidden within a lagging employment participation rate. As central banks resuscitated the global economy from the 2008 meltdown with 607 interest rate cuts and \$12 trillion in asset purchases (Barron's), they drove a wedge between savers and investors, fueling inequality and a populist movement.

Stimulus dictated trading through the rest of the week, with industrials (+7.0%), the yield curve, and consequently financials (+7.7%) benefitting at the mercy of bond-proxy consumer staples (-0.9%), utility (-3.5%) and telecom (+0.1%) stocks. The DJ transportation also hit a record high this week, but weaker utilities make a trifecta of DJ records less likely. Technology (+1.67%) stocks also languished as the once-hot FANG stocks sold off following the election.

Trump's infrastructure spending could boost GDP by 150bps over the next 2 years while doubling the federal deficit (JP Morgan). That would add up a to \$4.6 trillion increase in US debt over the next 10 years, if congress allows such spending (Committee for a Responsible Federal Budget). Similarly import curbs could hurt US business dependent on global supply chains.

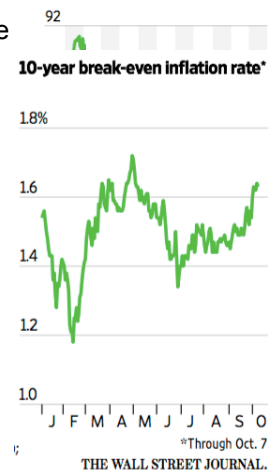
10-year treasury yields (+34bps) gained to a 10-month high this week on increased stimulus and inflation expectations, leading German, UK and Japanese yields above June's Brexit levels this week. December rate hike expectations consequently gained to 84%. Nevertheless markets only price in a single quarter point rate hike in 2017, with odds climbing above 50% only until September (Barron's).

Higher yields have not been kind to emerging markets, with the South African rand (-1.1%) and Russian ruble (-0.6%) down today. Similarly markets in Indonesia (-4%), South Africa (-2.3%) and Argentina (-3.5%) fell. An estimated \$2.4 billion moved out of emerging market stocks and bond over the week (IIF).

The dollar (+2.4%) jumped to an 8-month high this week, its best weekly gain since May 2015. Dollar strength (+3.5%) was even more pronounced against the yen. *The dollar has gained 14% against the peso since Trump's election.*

Expectations for infrastructure spending also boosted commodity prices, with iron ore (+7.4%) rallying today to cap an 18% rise since Wednesday. Copper (-1.4%) nevertheless fell today, breaking a string of 14-consecutive gains, the longest streak in 28 years. Copper gained 10% this week to match aluminum and lead's 18% year to date gain. Nevertheless crude oil fell 1.5% this week, declining for a third week as OPEC and inventories disappointed. Similarly gold (-3.3%) suffered its largest loss in nearly 3 years today, down 8.5% from its 6-week high Tuesday.

With over 90% over the S&P 500 reported, earnings are slated to increase 2.9% compared to a year ago quarter, breaking a string of 5 consecutive quarterly declines.



ECONOMIC REPORTS:

November Prelim. U of Mich. Consumer Sentiment: +4.4 to 91.6. Confidence gained to tits highest level since June during the period just before the US election. More encouraging, inflation expectations jumped 30bps, rising off of their record low levels set earlier this fall.

| | Chng from Sept: | Oct Prelim: |
|-----------------------|-----------------|-------------|
| Current Conditions: | +3.0 | 105.9 |
| Expectations: | +6.0 | 82.5 |
| Inflation Exp (1 yr): | +30bps | 2.7% |
| Inflation Exp (5 yr): | +30bps | 2.7% |