



## MONDAY NOVEMBER 21, 2016

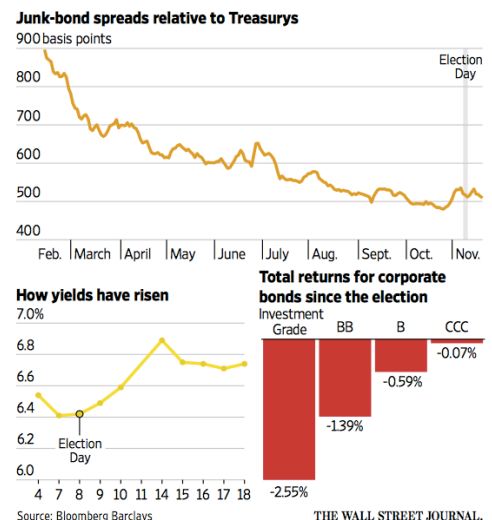
	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	18,956.69	+88.76	<b>3.61</b>	314	373
Nasdaq:	5,368.86	+47.35	1.75	145	211
S&P 500:	2,198.18	+16.28			
10 yr note:	2.33%	unch			
Volatility:	12.42	-0.43			
EUR-USD:	1.063	+0.004	Crude Oil:	47.49	+1.8
USD-JPY:	110.80	-0.11	CRB-Com:	187.30	+4.17



The Nasdaq (+0.9%) leads gains in the S&P 500 (+0.8%) and Dow (+0.5%) as all three indexes rise to new records today. This was the second trifecta of records this year following Aug 15's coordinated highs, going all the way back to December 31, 1999's trifecta. The Russell 2000 also hit a record high today, gaining for a 12<sup>th</sup> consecutive day, its longest winning streak since June 2003 (WSJ). The small cap index has gained 11%, outperforming the S&P 500's 2.7% gain since election day as small caps stand to benefit most from Trump's policies. Financials (+0.3%) have also gained, accounting for 54% of the S&P 500 rise since election day (WSJ). Volatility (-3.3%) declined.

Trump's election rally has propelled the S&P 500 to 20.1x trailing 12 month earnings, compared with 19.5x on election day and a 10-year average of 15.7 (WSJ). Fund managers chasing performance will continue push prices higher into year end, at which point stock will have a crude reality check.

US bond fund outflows, currently at \$8.2 billion for the week ending Nov. 16 (EPFR Global) are second only to 2013's taper tantrum, when treasuries rose by a full percentage point and investors pulled out a net total of \$36 billion over that May – September period. Similarly, over the 3 week period ending Nov. 16, investors have pulled \$7.1 billion from junk bonds (Lipper), the largest 3-week outflow since last December. Nevertheless junk bond selling has been contained, with junk's risk premium over treasuries actually declining 6bps since election day. Junk bonds typically perform best during periods of rising rates, returning on average 4.77% when treasury yields have gained over 50bps. Equivalently investment grade corporate bonds have averaged -0.66%



while 10-year treasuries have returned -5.48% (TIAA Global Asset Management, 15 periods since 1998).

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Changed A trades to execute when time>930 instead of 931 so A trade will be more effective. Trade would have hit profit limit at 9:45 with improvement. Trailing loss kicked in as market dipped in morning trading.



## ECONOMIC REPORTS:

**October Chicago Fed National Activity:** -0.04 to -0.08. Following the headline reading, this report's 3-month average also fell, hitting its lowest level since May at -0.27. According to the Chicago Fed, economic activity and inflation pressures will be subdued for the coming year.