WEDNESDAY NOVEMBER 15, 2016

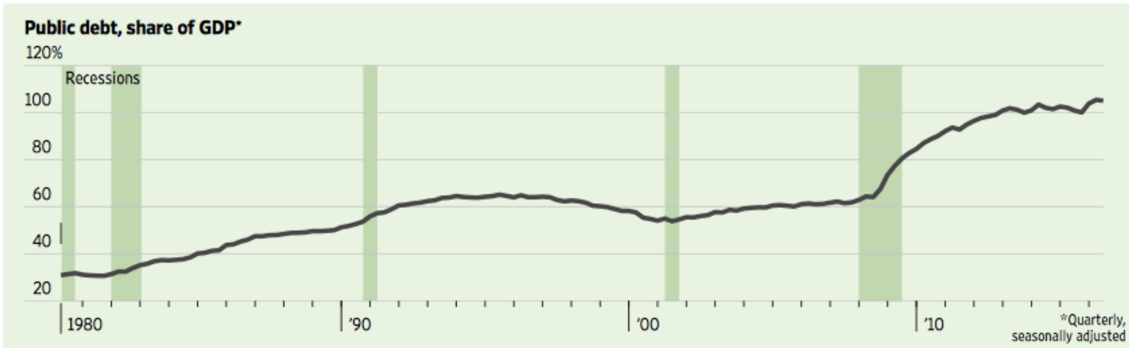
	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	18,868.14	-54.92	3.84	110	60
Nasdaq:	5,294.58	+18.96	2.06	110	130
S&P 500:	2,176.94	-3.45			
10 yr note:	2.22%	-2bps			
Volatility:	13.72	+0.35			
EUR-USD:	1.068	-0.005	Crude Oil:	45.57	-0.24
USD-JPY:	108.90	-0.19	CRB-Com:	182.34	-0.74

S&P 500 WEDNESDAY

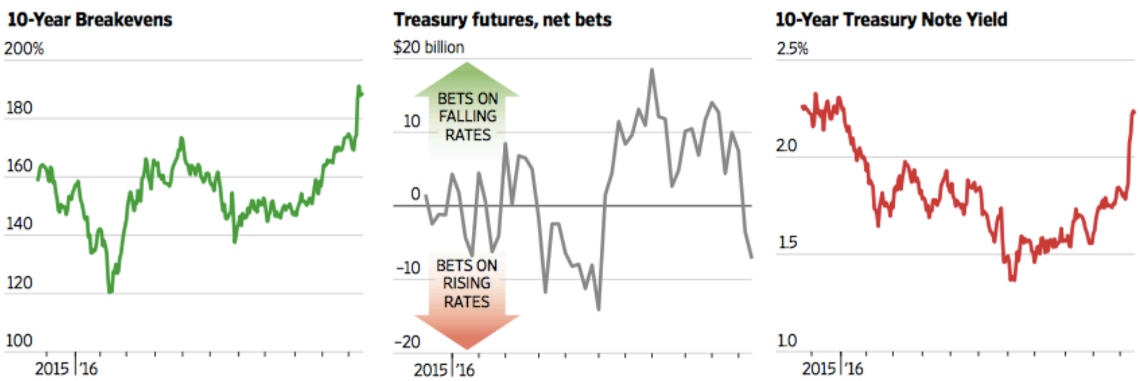
Post election trades loses momentum today, leading the Dow (-0.3%) to its first loss in 8 sessions. Similarly financial stocks (-1.4%) fall for the first time since November 4. Today the S&P 500 (-0.2%) declined while the Nasdaq (+0.4%) gained. Treasury yields also leveled off, following their largest 6-day jump in over 5 years. Today's lower than expected industrial production and inflation data tempered expectations over Trump's stimulus and resulting growth and inflation. Oil prices (-0.5%) retreated from yesterday's 4% rally. European stocks (-0.2%) also fell on bank weakness.

The 10-year breakeven rate signals that investors expect 1.88% annual inflation over the next 10 years, up from 1.4% in July. Inflation expectations had been rising even before the election, however bond-bulls believe that the US's $19.8 trillion debt load could hinder the effect of any additional stimulus, and infrastructure spending could not even translate into higher inflation if it helps business efficiency. Bond weakness appears longer-term in nature, unless a bear market or war drives people right back into the safe-haven investment.

The dollar continues to strengthen, hitting a 13 year high (100.57) at one point in early morning trading today (ICE Dollar Index). Similarly the WSJ Dollar index (90.90) hit its highest level since February at one point today. The dollar has gained along with Fed rate expectations, now at 90.6% for December. Higher rates have hammered emerging markets, as the Turkish lira (-1%) hit a record low, while the ruble (-0.4%) and South African rand (-0.9%) all fell against the dollar.



U.S. yields and inflation breakevens have risen this fall, and many traders are wagering on further gains.



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget (debt); TD Securities (bets); Tradeweb (yields and breakevens)

THE WALL STREET JOURNAL.

ECONOMIC REPORTS:

October Producer Prices: unchanged. Prices are now 0.8% higher over the past year, up 10bps from September's annual gain. Core prices actually fell 0.2% in October, but their 1.2% annual gain remained unchanged.

November Atlanta Fed Business Inflation Expectations: +30bps to 2%. An increase in energy prices boosted inflation expectations to their highest level since July 2015. Actual costs remained at 1.7% in November, however stronger business and consumer (See Friday, 11/11/16) expectations indicate a stronger inflationary force, driving the resent bond selloff.

Weekly Crude Inventories: +5.3 million barrels. Oil inventories gain for a second week, now 7.7% higher over the past year. Gasoline (+0.7 million) and distillate (+0.3 million) inventories also rose over the past week.

Weekly Mortgage Applications: -9.1%. Purchase (-6%) applications and refinance (-11%) applications both fell last week as higher treasury yields drove a knife into housing activity. Purchase application are now only 3% higher over the past year, down from an 8% gain last week and 30%+ gain earlier in the year.

Rates:		
30 Year Fixed:	3.95%	+18bps
15 Year Fixed:	3.15%	+12bps *(highest since March)*
5/1 Year ARM:	3.11%	+19bps *(highest since March)*

September TIC Flows: -$26.2 billion. Foreshadowing this past week's massive Treasury bond selloff, foreign investors sold a record amount of Treasuries (-$76.6 billion) in September. China led the selling, shedding $28 billion in Treasuries during the month as the BOC attempts to stabilize its currency against the dollar. Foreign accounts sold a smaller amount of US equities and remained a net buyer of government agency bonds (Econoday). Alternatively, US accounts were net sellers (-$20.4 billion) of foreign long term securities.

October Industrial Production: unchanged. Manufacturing (+0.2%) gained for a second month while mining (+2.1%) gained the most in over 2 years and utility production (-2.6%) fell. Capacity utilization fell 10bps to 75.3% in October, while total production is now 0.9% lower over the past year.