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| *Picture 438 Dennis J. Foegen, AAMS®, CFP® black and white logo* *Presents: December 2017* |
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| MONTHLY ECONOMIC UPDATE |

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| MONTHLY QUOTE “Education’s purpose is to replace an empty mind with an open one.” *- Malcolm Forbes*MONTHLY TIP Are you building an emergency fund? Consider investing a portion (or perhaps all) of those dollars in an interest-bearing deposit account or bank vehicle, to help them grow a little more.MONTHLY RIDDLEIt will let you enter, but not come in. It lets you create space, but it will never offer you a room. It has keys, but they open no locks. What is it?  **Last month’s riddle:** What is black when you buy it, red when you use it, and gray when you throw it away? **Last month’s answer:**Charcoal. | December 2017**THE MONTH IN BRIEF**In November, the S&P 500 gained 2.81% and advanced for a thirteenth straight month – an unprecedented milestone in the index’s long history. Consumer confidence and investor confidence were both abundant, as further evidence arrived that the economy was growing at an impressive rate. Solid fundamental indicators, upbeat earnings announcements, and hopes for 2018 tax cuts motivated stock gains in the U.S.; though many foreign benchmarks slumped. Oil took steps toward $60. Home sales picked up after a late-summer lull. Wall Street anticipated a year-end rate hike from the Federal Reserve.1,2 **DOMESTIC ECONOMIC HEALTH** Consumers were feeling very optimistic in November. The Conference Board’s much-watched consumer confidence index nearly hit 130; its 129.5 reading was 3.3 points higher than its October mark. As for the University of Michigan’s gauge of consumer sentiment, it hovered near a 13-year high, achieving a final November mark of 98.5. (Even so, that was beneath the 100.7 reading at the end of October.)3,4 The Department of Labor’s October jobs report satisfied Wall Street. Companies added 261,000 more jobs than they shed in the tenth month of the year. While annual wage growth fell sharply to 2.4%, the headline jobless rate declined to 4.1%, and the U-6 rate, including the underemployed, declined 0.4% to 7.9%. (The U-6 rate was 1.3% higher a year earlier.)5  October also saw the manufacturing sector grow significantly. The Institute for Supply Management’s factory sector purchasing manager index dipped half a percent to a still-strong 58.2. That marked the fifteenth consecutive month of growth for manufacturing industries. Early in November, ISM’s service sector index rose 0.3 points to a lofty reading of 60.1, signaling rapid growth.6,7  Complementing all this, the second estimate of third-quarter GDP from the Bureau of Economic Analysis improved 0.3% from the previous estimate to 3.3%, in an affirmation of an economy running on all cylinders. In addition, major gains in industrial output (0.9%) and manufacturing production (1.3%) were seen kicking off the fourth quarter in October.3  Consumer inflation remained relatively mild. The Consumer Price Index was up merely 2.0% year-over-year through October, and the annualized advance in the core CPI was just 1.8%. Wholesale inflation was a different story: the headline Producer Price Index was 2.8% higher in October than it had been a year before; the core PPI, 2.4% higher.3  Sizable gains in both personal spending and personal income were recorded for another month. Household incomes rose 0.4% again in October, and personal spending, 0.3% after the remarkable 0.9% September gain driven by a wave of car and truck buying. Retail sales rose 0.2% during October and 0.3% with gas and auto sales factored out.3  In late November, the Centers for Medicare and Medicaid Services explained that most seniors will pay higher Medicare monthly Part B premiums next year. While the standard Part B premium of $134 will not increase, the roughly 70% of seniors whose Part B premiums had hovered around $109 in 2017, thanks to the “hold harmless” provision, will see that protection go away as an effect of Social Security’s 2018 cost-of-living adjustment.8 **GLOBAL ECONOMIC HEALTH**According to the latest readings from Eurostat, unemployment ticked lower in the euro area, while inflation ticked a bit higher. The region’s jobless rate fell 0.1% in October to 8.8%, nearing a 9-year low and down a full percent from a year earlier. Consumer prices were up 1.5% year-over-year through November. Last month, the United Kingdom agreed to calculate a divorce settlement from the European Union as part of the Brexit. The divorce bill (which diplomats involved think will amount to around €60-65 billion) represents payment from the U.K. to the E.U. for unrealized future contributions to the E.U. 2019 and 2020 budgets as well as infrastructure projects the U.K. had been earmarked to partly or fully fund. The bill’s final amount will be determined sometime next year.9,10 In Seoul, the Bank of Korea became the first central bank in Asia to raise interest rates since 2014; as Reuters notes, the Philippines and Malaysia may see rate hikes in 2018. The Caixin/Markit manufacturing PMI for China fell to 50.8 in its latest reading, its lowest mark in five months. Japanese manufacturing reached a 3½-year peak last month. Factory activity in Taiwan accelerated to a pace unseen since 2011; South Korean manufacturing activity, to a pace not witnessed since 2012. The number of job openings in Japan hit its highest level since the mid-1960s last month, and the nation’s jobless rate descended to 2.8%.11 **WORLD MARKETS**Seven significant stock benchmarks fell 2% or more in November. Taiwan’s TSE 50 dropped 4.04%; Brazil’s Bovespa, 3.78%; Mexico’s Bolsa, 3.61%. The four other such retreats were staged by Spain’s IBEX 35, down 2.25%; France’s CAC 40, down 2.20%; China’s Shanghai Composite, sinking 2.16%; the United Kingdom’s FTSE 100, losing 2.15%. Falling a bit less: the FTSE Eurofirst 300, off 1.94%; Germany’s DAX, down 1.55%; India’s Nifty 50, slipping 1.32%.12 Pronounced advances also occurred, with two prominent Asian indices leading the way. In Tokyo, the Nikkei 225 added 3.24%; Hong Kong’s Hang Seng improved 2.97% for the month. The MSCI World recorded a 1.99% advance (as a footnote, the MSCI Emerging Markets improved just 0.15%). Notable gains also came for Russia’s Micex and Singapore’s STI (both up 1.71%) and Australia’s All Ordinaries (up 1.20%).12,13 **COMMODITIES MARKETS**Aided by a short-term shutdown of the Keystone pipeline, the price of crude oil rose 4.96% in November on the NYMEX. WTI crude finished November at $57.35 a barrel. There was also a big win for natural gas, as that commodity gained 4.58% last month. Unleaded gasoline futures retreated 2.35%, while heating oil futures rose 1.04%.14  Platinum outdid other major metals last month, gaining 3.22%. Gold advanced 0.53% to end November at $1,274.90 on the COMEX. Silver fell 1.74%, to a November 30 close of $16.36; copper lost 1.80%. The U.S. Dollar Index finished November at 93.02, falling 1.62% across the month. As for ag futures, cotton jumped 7.39%. Sugar was up 2.24%; soybeans, 1.18%; coffee, 1.00%. Corn fell 1.09%; cocoa, 2.10%; wheat, 2.44%.14,15 **REAL ESTATE**October data pointed to a rebound in residential real estate. The National Association of Realtors said that existing home sales improved by 2.0% in the tenth month of the year; the gain for single-family homes was 2.1%. (Year-over-year, sales were still down 0.9%.) NAR’s pending home sales index rose 3.5% after a 0.4% setback in September. As for new home sales, they increased 6.2% for October, according to the Census Bureau, marking the second month with a strong gain. The S&P/Case-Shiller 20-city home price index was up 6.2% in the 12 months ending in October, compared to a 5.8% annualized advance through September.3,16 Builders were busy as well. October witnessed a 13.7% leap in groundbreaking and a 5.9% increase in the issuance of building permits. Both Census Bureau indicators were negative in September.3 On November 30, the interest rate for a conventional home loan was at 3.90%, according to Freddie Mac. That compares to a mean of 3.94% in its November 2 Primary Mortgage Market Survey. Average rates on other types of mortgages rose during that period – the mean rate on the 15-year fixed went 0.03% north to 3.30%, while the average rate on the 5/1-year adjustable rose 0.09% to 3.32%.17 **LOOKING BACK…LOOKING FORWARD** Volatility was more noticeable in November, as Wall Street interpreted assorted signals on tax reform coming from Congress. The CBOE VIX gained 10.81% last month, closing November at 11.28.18 Rising above 24,000, the Dow Jones Industrial Average added 3.77% in November; on November 30, it closed at 24,272.35. The Russell 2000, S&P 500, and Nasdaq Composite posted respective November gains of 2.79%, 2.81%, and 2.14%; they respectively ended the month at settlements of 1,544.14, 2,647.58, and 6,873.97.19,20

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| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
| DJIA | +22.82 | +26.92 | +17.27 | +8.15 |
| NASDAQ | +27.69 | +29.12 | +25.67 | +15.83 |
| S&P 500 | +18.26 | +20.41 | +17.39 | +7.88 |
| REAL YIELD | 11/30 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.56% | 0.43% | -0.79% | 1.63% |

 Sources: finance.google.com, bigcharts.com, treasury.gov – 11/30/1721,22,23,24Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation. As mentioned, a December Federal Reserve rate hike seems a certainty to many investors. On December 1, the CME Group’s FedWatch Tool had the chances of a quarter-point federal funds rate increase at 93%, with 7% odds of a half-point hike and a 0% probability of the Fed standing pat. Given the growth rate in the second and third quarters, some bulls are wondering if the central bank will need to start tightening faster in 2018. Through history, bull markets tend to wane when accelerating inflation and robust growth combine to force a series of quick rate hikes at central banks. This current bull has had help from low inflation as well as accommodative monetary policy. It would certainly get a tailwind, perhaps a strong one, from passage of federal tax reforms. While potential stock market hazards always lurk, Wall Street seems very confident heading into the holiday season. A great 2017 could precede solid gains in 2018.25 **UPCOMING ECONOMIC RELEASES:** Here are the news items investors will pay particular attention to in the last month of 2017. October factory orders (12/4), the November ISM service sector PMI (12/5), the latest ADP payrolls report (12/6), the November Challenger job cuts report (12/7), the Department of Labor’s latest unemployment report and the initial December University of Michigan consumer sentiment index reading (12/8), November wholesale inflation (12/12), a Federal Reserve interest rate decision and the November Consumer Price Index (12/13), November retail sales (12/14), November industrial production (12/15), November housing starts and building permits (12/19), November existing home sales (12/20), the final estimate of Q3 GDP (12/21), the month’s final University of Michigan consumer sentiment index, the latest PCE price index as well as November new home sales, consumer spending, and hard goods orders (12/22), and then, the NAR’s latest pending home sales index reading and the Conference Board’s December consumer confidence index (12/27).  |
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All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs and expenses, and cannot be invested into directly. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the “NYSE”) and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. The FTSE TWSE Taiwan 50 Index consists of the largest 50 companies by full market value, and is also the first narrow-based index published in Taiwan. The Bovespa Index is a gross total return index weighted by traded volume & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The Mexican Stock Exchange, commonly known as Mexican Bolsa, Mexbol, or BMV, is the only stock exchange in Mexico. The IBEX 35 is the benchmark stock market index of the Bolsa de Madrid, Spain’s principal stock exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. The FTSE Eurofirst 300 measures the performance of Europe’s largest 300 companies by market capitalization and covers 70% of Europe's market cap. The DAX 30 is a Blue-Chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The Nifty 50 (NTFE 50) is a well-diversified 50-stock index accounting for 13 sectors of the Indian economy. It is used for a variety of purposes such as benchmarking fund portfolios, index-based derivatives and index funds. Nikkei 225 (Ticker: ^N225) is a stock market index for the Tokyo Stock Exchange (TSE). The Nikkei average is the most watched index of Asian stocks. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. The MSCI World Index is a free-float weighted equity index that includes developed world markets, and does not include emerging markets. The MSCI Emerging Markets Index is a float-adjusted market capitalization index consisting of indices in more than 25 emerging economies. The MICEX 10 Index is an unweighted price index that tracks the ten most liquid Russian stocks listed on MICEX-RTS in Moscow. The Straits Times Index (STI), maintained & calculated by FTSE, is the most globally recognized benchmark index and market barometer for Singapore. The All Ordinaries (XAO) is considered a total market barometer for the Australian stock market and contains the 500 largest ASX-listed companies by way of market capitalization. The US Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. **Citations.**1 - finance.google.com/finance?q=INDEXSP%3A.INX&ei=6JcgWoKgH4GG2Ab8\_LzoDA [11/30/17]2 - nytimes.com/2017/11/30/business/dow-stock-markets.html [11/30/17]3 - investing.com/economic-calendar/ [11/30/17]4 - sca.isr.umich.edu/ [11/22/17]5 - forbes.com/sites/maggiemcgrath/2017/11/03/payrolls-rebound-from-hurricane-losses-adding-261000-jobs-in-october/ [11/3/17]6 - instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1 [12/1/17]7 - instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm?navItemNumber=30963&SSO=1 [11/3/17] 8 - thestreet.com/story/14404346/1/most-people-with-medicare-part-b-will-pay-higher-premiums-in-2018.html [11/29/17]9 - ec.europa.eu/eurostat [11/30/17]10 - theguardian.com/politics/2017/nov/29/brexit-divorce-bill-how-much-is-it-and-what-is-it-for [11/29/17]11 - reuters.com/article/us-global-economy/global-manufacturing-buoyed-as-focus-shifts-to-rate-hikes-idUSKBN1DV3OC [11/30/17]12 - markets.on.nytimes.com/research/markets/worldmarkets/worldmarkets.asp [11/30/17]13 - msci.com/end-of-day-data-search [11/30/17]14 - money.cnn.com/data/commodities/ [11/30/17] 15 - marketwatch.com/investing/index/dxy/historical [12/1/17]16 - thehill.com/policy/finance/361445-existing-home-sales-increased-2-percent-in-october [11/21/17]17 - freddiemac.com/pmms/archive.html?year=2017 [11/30/17]18 - money.cnn.com/quote/quote.html?symb=VIX [11/30/17]19 - finance.google.com/finance?q=INDEXSP%3A.INX&ei=6JcgWoKgH4GG2Ab8\_LzoDA [11/30/17]20 - barrons.com/mdc/public/page/9\_3022-usclosingstk.html?mod=bol\_topnav\_9\_3000 [11/30/17]21 - finance.google.com/finance?q=INDEXSP%3A.INX&ei=OZIhWqHyDtGP2AbtzJ6ABA [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=11%2F30%2F16&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=11%2F30%2F16&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=11%2F30%2F16&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=11%2F30%2F12&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=11%2F30%2F12&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=11%2F30%2F12&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=11%2F30%2F07&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=11%2F30%2F07&x=0&y=0 [11/30/17]22 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=11%2F30%2F07&x=0&y=0 [11/30/17]23 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield [11/30/17]24 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [11/30/17]25 - cmegroup.com/trading/interest-rates/countdown-to-fomc.html [12/1/17] |