



THE WEEK IN REVIEW

This week provided investors with several important updates on the state of domestic price inflation. U.S. producer prices rebounded more than expected in April amid rising costs for goods and services, leading to the biggest annual gain in five years. On Thursday, the Labor Department announced that its producer price index (PPI) for final demand increased 0.5% last month after slipping 0.1% in March. PPI increased 2.5% in the 12 months through April, the biggest gain since February 2012, after advancing 2.3% in March. Food prices rose 0.9% after a similar increase in March. So-called core PPI, a key gauge of underlying producer price pressures that excludes food, energy and trade services, surged 0.7% last month and 2.1% in the 12 months through April, both of which are records.

Consumer prices rose modestly in April as energy prices advanced after a sharp decline in March. The Consumer Price Index (CPI) stabilized last month following its first drop in a year, though a gauge excluding food and energy posted the smallest year-over-year increase since October 2015. In April, CPI advanced a seasonally adjusted 0.2% from the prior month, according to the Labor Department on Friday. Excluding the often volatile categories of food and energy, core prices rose just 0.1% in March. From a year earlier, consumer costs rose 2.2%, marking the second straight month annual gains eased. Prices were up 1.9% on the year when excluding food and energy, marking the first time that the annual gain in core prices had been below 2.0% since October 2015.

The University of Michigan's consumer sentiment index jumped to 97.7 in May, above the consensus expectations of 97.3. The survey's tracker of current conditions remained unchanged at 112.7; however expectations rose from 87.0 to 88.1. Current conditions do not appear to suggest May strength for spending but expectations are higher for jobs and income. The consumer spending intentions varied as plans to purchase household durables were near the highest levels in a decade, while intentions to buy a vehicle reached a three-year low. Job openings in March increased to 5.743 million, up from 5.682 million in February. The JOLTS report also contains the quits rate, one of Federal Reserve Chair Janet Yellen's preferred labor market indicators. The quits rate was unchanged in March at 2.1%; it had reached a post-recession high of 2.2% in January. The report remains consistent with the tightening labor market sentiment over recent months.

Retail sales slightly recovered in April, increasing 0.4% but below consensus estimates of 0.6%. Core retail sales, which exclude volatile automobiles and gas, increased 0.3%. Vehicle sales rose by 0.7% in April following three months of significant declines. Sales at department stores dropped 0.2%, while online retailers reported sales growth of 1.4%. These numbers continue to support the shift in consumer buying patterns to online platforms, which can be seen in the recent struggles of large retail chains. While consumer confidence remains near all-time highs, retail sales and broad-based consumer spending have not gained significant traction in 2017.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
JOLTS (Millions)	5.743	5.539	▲
Producer Price Index (YoY)	2.5%	1.6%	▲
Consumer Price Index (YoY)	2.2%	2.5%	▼
Retail Sales (MoM)	0.4%	0.5%	▼
U. of Mich. Consumer Sentiment	97.7	96.3	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	20896.61	-0.53%	5.74%	17.92%
NASDAQ	6121.23	0.34%	13.71%	29.21%
S&P 500 LargeCap	2390.90	-0.35%	6.79%	15.83%
MSCI EAFE	1858.52	-0.34%	10.36%	12.94%
Barclays Aggregate US	1999.92	-0.17%	1.19%	0.20%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.87%	0.80%	0.26%
10-Year Treasury	2.32%	2.24%	1.75%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts	1215
Industrial Production	0.6
Leading Economic Indicators	0.4

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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