



THE WEEK IN REVIEW

Global markets experienced a defensive move away from riskier assets in the first few days of the week as stocks and high yield bonds fell while government bonds rose. Falling commodity prices, uncertainty over the U.S. tax bill, and declining support for UK Prime Minister Theresa May among her Conservative Party weighed on investor sentiment. The energy sector's weekly decline of more than 3.0% caused it to be the largest detractor from the S&P 500. The price of oil and energy stocks fell in response to the International Energy Agency's reduction in its forecast for crude oil demand in 2018.

Stocks rebounded on Thursday after the House of Representatives passed the most sweeping tax overhaul in three decades. This marked a significant step towards GOP lawmakers' goals of enacting \$1.5 trillion in tax cuts for businesses and individuals and delivering the first major legislative achievement of President Donald Trump's tenure. The swift approval came two weeks after the bill was unveiled, without a single hearing on the 400-plus page legislation and over the objections of Democrats and 13 Republicans. The House plan would permanently reduce the corporate tax rate to 20% from 35%, along with other tweaks aiming to make businesses more competitive. It would reduce the number of individual tax brackets to four (from the current seven) and make changes to several tax breaks. The focus now shifts to the Senate, where Republicans are quickly moving ahead with their own tax overhaul which differs in substantial ways from the House bill.

On the economic data front, U.S. home building jumped to a one-year high last month as disruptions caused by recent hurricanes in southern regions faded, and communities started replacing houses damaged by flooding. According to the Commerce Department, housing starts surged 13.7% to a seasonally adjusted annual rate of 1.29 million units in October, marking the highest level since October 2016. September's sales pace was also revised up to 1.135 million units from the previously reported 1.127 million units. Home building activity in the South, which accounts for almost half of U.S. residential construction, plummeted in the aftermath of Hurricanes Harvey and Irma, which slammed Texas and Florida in late August and early September. Housing starts have now risen 2.4% year to date, largely because fewer apartment complexes are being built. Construction of single-family houses has driven much of the growth this year, a sign of greater demand from buyers in a healthy job market.

Third quarter economic growth for the eurozone and Japan were reported this week. The eurozone's economy grew 2.5% year over year which marked the eurozone's highest growth rate since the first quarter of 2011. Japan's economy expanded 1.7% year over year. The third quarter was the seventh straight quarter of positive growth for Japan, its longest streak in 16 years.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	103.8	105.2	▼
Producer Price Index (YoY)	2.8%	1.9%	▲
Consumer Price Index (YoY)	2.0%	1.7%	▲
Retail Sales (MoM)	0.2%	0.5%	▼
Housing Starts (Millions Annualized)	1.290	1.185	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	23358.24	-0.27%	18.19%	23.56%
NASDAQ	6782.79	0.47%	26.00%	27.16%
S&P 500 Large Cap	2578.85	-0.13%	15.19%	17.91%
MSCI EAFE	1985.58	-0.70%	17.91%	21.62%
Barclays Aggregate US	2038.78	0.20%	3.16%	2.93%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.26%	1.09%	0.43%
10-Year Treasury	2.34%	2.30%	2.30%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Millions Annualized)	5.4
Durable Goods Orders	2.0%
U. of Mich. Consumer Sentiment	97.8

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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