

# MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / JANUARY 2017

## January Summary

U.S. gross domestic product grew at an annualized rate of 1.9% in the final quarter of 2016. Full year growth of 1.6% was below the average pace of 2.1% achieved during the current expansion. Key positives were household spending on durable goods, business investment, and a 10.2% annualized gain in residential housing. A sizable inventory gain, suggestive of a positive business outlook, helped as well. On the flipside, net exports were a material headwind as exports *contracted* and imports *grew*. The negative trade balance was accentuated by dollar strength, comparatively strong domestic economic growth, and a reversal of one-time trade positives in Q3.

Investment markets were well behaved in January, with all major asset classes capturing positive returns. That said, as a testament to remaining globally balanced and well-diversified, leaders and laggards completely reversed compared to the final quarter of 2016. In particular, growth stocks outperformed value, large companies bested small, and international investments outshone domestic counterparts. Of note, these reversals are the exact opposite of what conventional wisdom would suggest for a Trump administration.

Therein lies a valuable lesson for those attempting to handicap, and bet on, post-election winners and losers. Markets overshoot, underestimate, misjudge, and often completely miss both the timing and magnitude of

what may or may not come to fruition. In short, directional bets based on the foggy intersection of politics and economics can be hazardous to one's wealth. Stay globally balanced. Stay diversified.

## Economic Data

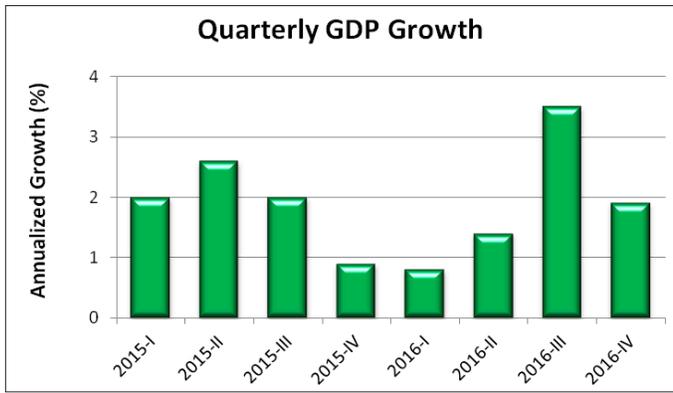
General	Prior	Current
GDP growth	3.5% (Q3)	1.9% (Q4)
Trade balance	-\$42.4B (Oct)	-\$45.2B (Nov)
Employment	Prior	Current
Initial jobless claims	237,000 (1/14)	259,000 (1/21)
Continuing claims	2.1MM (1/7)	2.1MM (1/14)
Change in nonfarm payrolls	204,000 (Nov)	156,000 (Dec)
Unemployment rate	4.6% (Nov)	4.7% (Dec)
Average weekly hours	34.3 (Nov)	34.3 (Dec)
Consumer	Prior	Current
Consumer confidence index (Conf. Board)	113.3 (Dec)	111.8 (Jan)
Retail sales growth (YoY)	5.4% (Nov)	4.4% (Dec)
Change in consumer credit	\$16.2B (Oct)	\$24.5B (Nov)
Manufacturing & Service	Prior	Current
ISM manufacturing index	53.5 (Nov)	54.7 (Dec)
ISM non-manufacturing index	56.2 (Nov)	57.2 (Dec)
Durable goods orders growth	-4.8% (Nov)	-0.4% (Dec)
Industrial production growth	-0.7% (Nov)	0.8% (Dec)
Capacity utilization	74.9% (Nov)	75.5% (Dec)
Real Estate	Prior	Current
New home sales	598,000 (Nov)	536,000 (Dec)
Existing home sales	5.7MM (Nov)	5.5MM (Dec)
S&P CoreLogic CS home price index (YoY)	5.1% (Oct)	5.3% (Nov)
Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.7%/2.1% (Nov)	2.1%/2.2% (Dec)
Producer price index/Core (YoY growth)	1.3%/1.6% (Nov)	1.6%/1.6% (Dec)



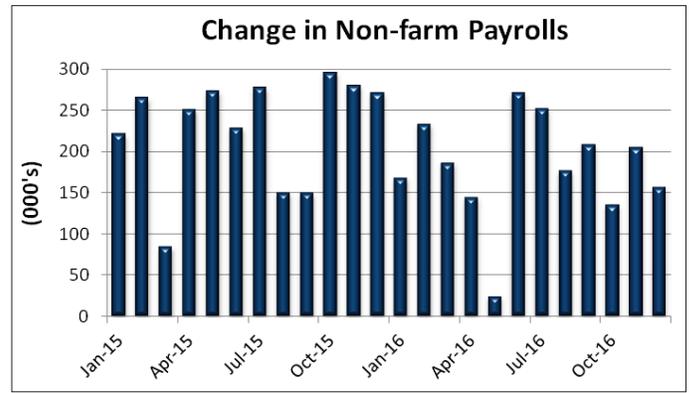
CONWAY WEALTH GROUP

At Summit Financial Resources, Inc.

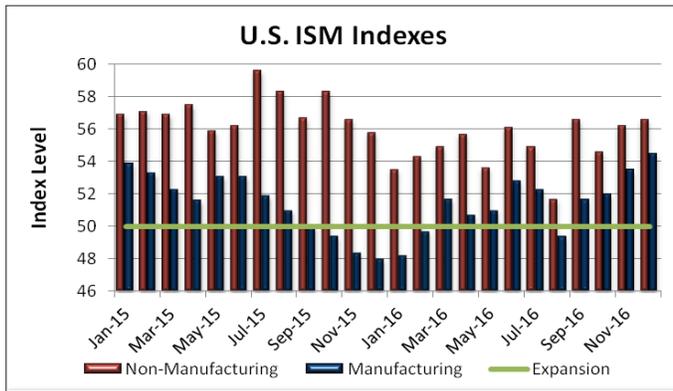
Aligning Life & Wealth®



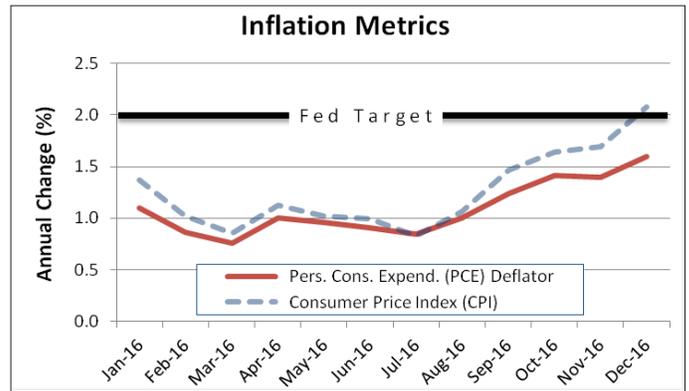
U.S. Bureau of Economic Analysis



U.S. Bureau of Labor Statistics



Institute for Supply Management



U.S. Bureau of Labor Stats/U.S. BEA

## Market Returns

	Jan 2017
<b>Cash and Fixed Income</b>	
Barclays Aggregate Bond	0.2%
Barclays Municipal Bond	0.7%
Barclays Gbl Agg. ex. U.S.	1.9%
<b>Alternatives</b>	
Bloomberg Commodity	0.1%
DJ US Real Estate	0.2%

Morningstar

	Jan 2017
<b>Domestic Equities</b>	
Wilshire 5000	2.1%
S&P 500	1.9%
Russell 2000	0.4%
<b>International Equities</b>	
MSCI EAFE (Developed)	2.9%
MSCI EM (Emerging)	5.5%

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