



Weekly Market Review

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The Week Ending August 18, 2017

For the second week in a row, U.S. equities finished in negative territory. Small-cap stocks took the biggest hit with the Russell 2000 down over 1%. After an explosive 4th quarter post-election rally, small-caps are about flat for 2017 so far. Part of the logic for the rally was that President Trump's agenda for corporate tax reform would benefit smaller companies the most. But as time goes on, and political controversies amass, it is becoming more doubtful that reform will happen in 2017. Large companies are having a better 2017 so far. The S&P was down 0.58% for the week but remains up 9.76% year-to-date. Larger companies have more exposure to international factors. In fact, 45% of revenues for S&P 500 companies comes from outside of the United States. A weakening U.S. Dollar and accelerated economic growth from the Eurozone and Asia have been tailwinds driving large companies' stock prices higher.



Lack of inflation is becoming more concerning to the Fed, and European Central Bank (ECB) as both try to tighten their respective monetary policies. The Fed would like to raise rates and reduce their balance sheet to give itself tools to ease the pain of the next recession. The problem is, with low inflation, they risk causing deflation which is detrimental to economic growth. More Fed and ECB officials are favoring a more dovish stance. Central bankers from around the world will travel to Jackson

Hole Wyoming this week to attend the annual summit. Janet Yellen, Chairman of the Fed, and Mario Draghi, Chairman of the ECB will both be speaking to the group. Bond markets will be listening carefully and parsing words and phrases to try to determine the pace at which central banks will continue to tighten.



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