



Weekly Market Review

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The Week Ending October 27, 2017

It's now been seven weeks in a row for large-cap U.S. stocks recording fresh record highs. While international stocks have led domestic stocks for all of 2017 thus far, the margin is shrinking. The year-to-date return for developed international stocks, measured by the MSCI EAFE index, is 21.1% compared to 17.2% for the S&P 500. However, both domestic and developed international markets are dwarfed by the 31.2% year-to-date return of the MSCI Emerging Markets index. China is the largest weighting in the emerging markets index at about 30% followed by South Korea at 15%.



The U.S. Bureau of Economic Analysis released data this past week showing the U.S. economy grew at a 3% rate for the third quarter. Many were predicting economic growth to be hindered by hurricanes Harvey and Irma hitting Texas and Florida in August and September. The second and third quarters combined represent the best six-month stretch of economic growth in three years for the U.S. economy. In other economic news, the U.S. Department of Labor released inflation data this past week for the month of September. Core inflation remains persistently low at 1.7% which may challenge the Fed's ability to raise rates and reduce its balance sheet. September is the fifth straight month of core inflation measuring at 1.7%.

We're right in the middle of third-quarter earnings season with about half of S&P 500 companies reporting so far. One emerging theme is technology companies are significantly beating their estimates. After Thursday's close, Intel, Microsoft, Alphabet, and Amazon all reported earnings that were much better than expected. The next day, Intel's stock was up 7.4%, Microsoft was up 6.4%, Alphabet was up 4.5%, and Amazon was up 13.2%. So far, about 75% of the S&P 500 companies that have reported have beaten their expectations.



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