

RESOURCE LOG – December 2017

Article Title	Detail	Publication	Date	Author
Briefing 2018 Fortune Crystal Ball	<p>Home Prices (Barely) Rise – Zillow asked more than 100 economists and real estate experts where they thought home prices would wind up next year. The average answer? Up- but not by as much as in 2017.</p> <p>Tax Reform Passes... But GOP Doesn't Hit 3% - President Trump and the GOP-led congress are able to enact some corporate tax reforms, but fine that tax cuts alone can't quickly compensate for an aging population and an aging population and an underskilled middle class. GOP grows by 2.5% for the year.</p> <p>Economic Forecasting – 2.25% The federal funds rate at the end of 2018.</p> <p>\$60 – What a barrel of oil will cost next Christmas.</p>	Fortune Magazine	12/01/2017	
What's News	<p>◆ The Dow posted its biggest one-day gain in a year and closed above 24000 for the first time. The blue-chip index surged 331.67 points to 24272.35. Meanwhile, all 11 S&P 500 sectors rose.</p>	The Wall Street Journal	12/01/2017	
Economy, Markets Rev Up <i>Consumer spending, home sales and business investment show rising optimism</i>	<p>“Not only do I think the economy's in good shape today, I think the economic expansion is going to continue for some time,” New York Fed President William Dudley said in an interview with The Wall Street Journal Thursday.</p> <p>Investors are also cheering the prospect of more economic fuel in the form of potential tax cuts.</p> <p>Consumer spending, a key ingredient in economic growth, grew 0.3% in October from the prior month after rising 0.9% - the quickest pace in eight years...</p> <p>Gross domestic product grew at a 3.1% annual rate in the second quarter, 3.3% in the third,...</p>	The Wall Street Journal	12/01/2017	Josh Mitchell and Nick Timiraos
What's News	<p>◆ Stocks posted modest losses in the most turbulent day of 2017 for the Dow. The blue chips closed down 40.76 points at 24231.59.</p>	The Wall Street Journal	12/02-03/2017	
Crude-Oil Prices Keep Churning Higher <i>Extension of production cutbacks raises hopes market can maintain footing</i>	<p>In Vienna on Thursday, OPEC and its allies, a coalition of other major producers led by Russia, agreed to continue holding oil off the market through the end of 2018.</p> <p>Sentiment in the oil market has shifted significantly in recent months, and oil prices have climbed to their highest levels since 2015.</p> <p>Investors have become more confident that the restraint by OPEC and its allies is helping to keep prices at a level that both energy companies and producing nations can live with.</p>	The Wall Street Journal	12/02-03/2017	Allison Sider and David Hodari
Economy Still has Room to Grow	<p>The evidence that the U.S. economy has been accelerating in thinner than the headlines shout. But with the rest of the world economy improving and a possible tax-cut jolt coming soon, the good news is there is room for a pickup in growth.</p>	The Wall Street Journal	12/04/2017	Justin Lahart

	<p>But lately GDP has perked up, growing at a 3.1% rate in the second quarter and 3.3% in the third. Put that together with steady hiring and an ebullient stock market, the economy looks very strong.</p> <p>The S&P 500 trades at 18.4 expected earnings, compared with 16.8 times at the start of the year. And in the third quarter, earnings at companies in the S&P 500 with greater than half their sales abroad were up 13.4% from a year earlier, according to FactSet,...</p> <p>Overseas economies have been looking better all year.</p> <p>The global economic environment counts as good news for the U.S. It should continue to bolster companies' overseas profits,...</p> <p>These effects mean U.S. growth should stay healthy but not accelerate too much from here.</p>			
What's News	<p>◆ Foreign-investor money is pouring into the U.S. stock market at the fastest clip in years, providing a fresh boost to the rally.</p>	The Wall Street Journal	12/04/2017	
Tax Bill Benefits Corporate Bonds	<p>The Senate bill and the version passed by the House of Representatives in November unlock billions of dollars held overseas for companies such as Apple Inc. and Pfizer Inc., allowing them to repatriate future foreign earnings more cheaply. That could reduce their need to borrow.</p> <p>The proposed tax changes would also make debt more expensive for companies by lowering the corporate tax rate and placing a cap on the corporate interest deduction.</p> <p>One possible fallout, if the supply of new debt diminishes, could be higher prices on existing bonds, which are already in the midst of a rally that has driven yields near historic lows.</p> <p>Nonfinancial, investment-grade companies in the U.S. have borrowed more than \$800 billion this year, already breaking the full-year record set in 2015, according to data provider Dealogic.</p>	The Wall Street Journal	12/06/2017	Vipal Monga and Sam Goldfarb
Gold Trading Is at Quietest Since 2005	<p>The extraordinary calm that has blanketed markets around the world is spreading to precious metals.</p> <p>Gold traded in its tightest range in more than a decade during November by one measure.</p> <p>Adding to pressure on gold prices, the U.S. dollar has rebounded and the prospect of higher interest rates has continued.</p> <p>Gold struggles to compete with yield-bearing assets like Treasuries when interest rates rise.</p> <p>Another factor that helps explain gold's narrow trading range is that there is less investor interest in gold in general.</p>	The Wall Street Journal	12/07/2017	Amrith Ramkumar

Buying Stocks: The Case For and Against	<p>Why buy stocks?</p> <p>There are plenty of reasons to wonder about the longevity of the equity bull market. Given expensive markets, years of monetary-policy experimentation and geopolitical uncertainty, it is possible to concoct any number of unpleasant scenarios. But there is also a niggling question out there: What if stocks just keep going up?</p> <p>After all, any number of challenges in 2017- the risk of a populist shock in a European election, nuclear saber-rattling from North Korea, or the fear of rising protectionism, for instance-have passed without incident or failed to unsettle markets for more than a short while.</p> <p>Global growth is broad and momentum appears good. Earnings have recovered and are forecast to rise further around the world in 2018.</p> <p>A very sharp correction in bond markets would be a problem, but so far financial conditions have remained very loose, supporting risky assets such as stocks.</p> <p>There is the possibility that some new reason for stocks going higher, such as surprisingly strong growth, will emerge in coming months. Until then, investors are right to fret about the bull market's staying power.</p>	The Wall Street Journal	12/08/2017	Justin Lahart
Hiring Growth Powers Economy <i>Employers boosted payrolls in November, adding to evidence of expansion's strength</i>	<p>Steady hiring has in turn driven the unemployment rate down to 4.1% for two straight months, holding at a 17-year low.</p> <p>That would pput economic output on track for a third straight quarter of near 3% growth...</p> <p>"Globally everyone is running in the same direction", said Gregory Daco, economist at Oxford Economics. "That sets up global growth in 2018 to be the vest since the crisis."</p>	The Wall Street Journal	12/09-10/2017	Eric Morath
What's News	<p>◆ Tech and energy shares lifted the Dow and S&P 500 to records. The industrials rose 56.87 to 24386.03.</p>	The Wall Street Journal	12/12/2017	
Market Shows a Sign of Unease <i>An indicator of anxiety over stocks reaches records despite a very low volatility measure</i>	<p>Two academics are rolling out a new measure of market fear that suggests investors aren't nearly as complacent as they seem.</p> <p>The gauge of so-called ambiguity, meant to chronicle the degree of uncertainty investors have in the probabilities they use to make decisions, has been at all-time highs in recent months, indicating that there is more fear built into the stock market than common measures of volatility suggest. The Cboe Volatility Index, a popular metric for tracking fear in the market, has been idling near record lows this year.</p> <p>The decline in the VIX this year has befuddled investors and traders of all stripes, given the host of geopolitical uncertainties in locations like North Korea and political skirmishes in Washington. The main difference, however, is that ambiguity is a lot higher now.</p>	The Wall Street Journal	12/12/2017	Ben Eisen
Emerging Markets Ready for Fed Move	<p>Emerging markets, long vulnerable to the whims of central banks in the developed world, now seem to be more Fed-proof than ever.</p>	The Wall Street Journal	12/12/2017	Georgi Kantchev, Steven Russolillo and Ira Iosebashvili

	<p>The reversal in Fortunes comes as emerging markets are enjoying what some analysts call a “goldilocks” moment – a combination of strong global growth, stabilizing commodity prices and improving domestic fundamentals. This has fueled a rally dwarfing gains made by U.S. stocks.</p> <p>The MSCI Emerging Markets Index of stocks has risen around 28% this year, more than the 18% gained by the S&P 500, and is on pace for its best year since 2009.</p> <p>A rare spurt of synchronized global growth has been underpinning the rally. All 45 countries monitored by the Organization for Economic Cooperation and Development are on track to grow this year. That has only occurred three times in the past 50 years, according to the OECD.</p> <p>A rise in the price of raw materials also has boosted many exporters...</p> <p>U.S. rates typically drive investors away from emerging markets by making their bonds, stocks and currencies less attractive.</p> <p>This time around, in a year when the Fed has already raised interest rates twice and the European Central Bank indicated it will scale down its massive bond-buying program, there are few signs of stress.</p> <p>For now, the upswing is expected to continue unabated.</p> <p>“There is an argument to be made that emerging markets have become ‘crisis-proof’”, analysts at Citigroup wrote in a recent report.</p>			
Quicker Fed Pace Could Rattle Markets	<p>Typically, the prospect of Fed rate increases tightens financial conditions by pushing up borrowing costs for companies and governments, lifting the value of the dollar against its peers and restraining a rise in the stock market.</p> <p>That hasn’t happened this time around. Two years into the Fed’s rate-rise cycle, stocks have been on a nearly uninterrupted climb and longer-term Treasury yields have barely budged and lingered near the technically important level of 2.4% for much of the past few months.</p> <p>Markets have rewarded investors who continued to take risks in the large part because the Fed has lifted rates more slowly than in the past cycles.</p>	The Wall Street Journal	12/13/2017	Ben Eisen, Daniel Kruger and Chelsey Dulaney
What’s News	<p>◆ The S&P 500 and the Dow set records, buoyed by shares of banks and other financial firms. The blue chips rose 118.77 points to 24504.80.</p>	The Wall Street Journal	12/13/2017	
Look out for higher credit card bills <i>Feds raises interest rates for this time this year</i>	<p>With a notable upgrade to its economic outlook for 2018, the Federal Reserve agreed to raise its key interest rate Wednesday and maintained its forecast for three hikes next year despite sluggish inflation.</p> <p>The Fed marginally pushed up its economic growth forecast for 2017 to 2.5% but sharply raised it for 2018 – to 2.5% from its 2.1% estimate in September, in an apparent nod to the Republican tax-cut stimulus.</p>	USA Today	12/14/2017	Paul Davidson

	<p>They now expect the 4.1% unemployment rate to fall to 3.9% by the end of next year, below their prior forecast.</p> <p>“We see changes in tax policy as supportive of a modestly stronger economic outlook”, Fed Chair Janet Yellen said at her final news conference.</p> <p>She added: “At the moment, the U.S. economy is performing well. The growth that we’re seeing is not on the back of...an unsustainable run-up in debt (as occurred during the housing bubble). There’s much less to lose sleep over than there has been in quite some time”.</p>			
What’s News	<p>◆ The Dow ended 80.63 points higher at a record 24585.43 after the Fed’s rate decision and forecast.</p>	The Wall Street Journal	12/14/2017	
Coin Offerings Hit Milestone Amid Warnings	<p>Money raised from initial coin offerings has surged past \$4 billion for the first time, even as regulators world-wide have escalated warnings about the new form of corporate funding.</p> <p>An initial coin offering, or ICO, is a method of corporate fundraising that circumvents traditional capital markets.</p> <p>But there are risks, and some regulators believe ICOs should be regulated like securities.</p> <p>...Federal Reserve Chairwoman Janet Yellen called bitcoin “a highly speculative asset”...</p> <p>The U.S. isn’t the only one coming down hard on ICOs. China banned them in September,...</p>	The Wall Street Journal	12/15/2017	Steven Russolillo
What’s News	<p>◆ U.S. stocks rose on expectations that the tax bill will pass. The Dow climbed 143.08 points to 24651.74.</p>	The Wall Street Journal	12/16-17/2017	
Economy Steps on the Gas	<p>Entering the year, anxiety ran high as an unpredictable populist became U.S. president, insurgent nationalist movements threatened to wine elections in major European countries, China looked fragile, and Japan remained stagnant.</p> <p>Yet the world enjoyed its most broad-based growth since the financial crisis. Thanks to a strong finish, the U.S. probably will have grown 2.3% in 2017, according to J.P. Morgan, its best showing since 2015... The eurozone and Japan appear to have grown at their best rates since 2007 and 2013, respectively.</p> <p>The U.S. got an additional boost from the prospect of sweeping individual and corporate tax cuts. Coupled with a deregulatory push by President Donald Trump’s administration, that added fuel to the market rally. Soaring stock prices, easing of the regulatory net around banks, a lower dollar and ultralow interest rates mean overall U.S. financial conditions became dramatically more stimulative in 2017.</p> <p>Yield curves are flattening (i.e., the gap between short-and long-term interest rates is narrowing), historically a harbinger of slower growth or recession.</p>	The Wall Street Journal	12/19/2017	Greg Ip

What's News	◆ U.S. stocks hit records as investors bet on the tax bill. The Dow jumped 140.46 points to 24792.20.	The Wall Street Journal	12/19/2017	
What's News	◆ Declining tech shares dragged down U.S. stocks. The Dow shed 37.45 points to finish at 24754.75.	The Wall Street Journal	12/20/2017	
What's News	◆ U.S. housing starts in November hit their highest level in over a year, driven by gains in the South and West.	The Wall Street Journal	12/20/2017	
What's News	◆ U.S. stocks eased as investors mulled the tax bill's effects. The Dow shed 28.10 points to 24726.65.	The Wall Street Journal	12/21/2017	
Treasury Yields Are on a Roll – Higher	<p>Treasury prices fell as Congress approved the largest overhaul of the tax code in three decades, pushing yields higher in the latest leg of a multiday surge that comes after months of relative calm.</p> <p>The yield on the 10-year Treasury note settled at 2.497%...</p> <p>It rose to nearly 2.5% as congress approved the revamp Wednesday, with some analysts saying the overhaul could boost growth and inflation, leading to further selling that could push yields higher.</p> <p>Lackluster inflation data has been one of the biggest obstacles to a prolonged rise in the 10-year Treasury yield this year, said many investors.</p> <p>Any rise in yields following the plan's passage may be muted, however, as the economy is already in the ninth year of an expansion, making it one of the longest in U.S. history, some analysts said.</p> <p>Yields on TIPS indicate that investors forecast about 1.9% in average annual inflation over the next five years. That is up from 1.7% at the beginning of the month...</p>	The Wall Street Journal	12/21/2017	Gunjan Banerji and Daniel Kruger
What's News	◆ Bank and energy shares helped U.S. stocks snap two days of declines. The Dow rose 55.64 to 24782.29.	The Wall Street Journal	12/22/2017	
New 'Fear Gauge' on Tap	<p>The VIX is getting a rival.</p> <p>Nasdaq Inc. is working on launching futures and options linked to an index that uses a different way to track volatility in the S&P 500...</p> <p>Chicago-based Cboe has long been the principal player in the volatility trading universe. It oversees the Cboe Volatility Index, or the VIX. This year, the VIX was the target of skepticism amid claims that it was vulnerable to manipulation.</p> <p>The biggest difference between Nasdaq's volatility index, called the Nations VolDex, and Cboe's VIX is that the Nasdaq version is based on options for the largest S&P 500 exchange-traded fund – the SPDR S&P 500 ETF Trust, which is one of the most traded securities in the U.S. stock market.</p> <p>In contrast, Cboe's VIX tracks options on the S&P 500 index itself.</p>	The Wall Street Journal	12/23-24/2017	Gunjan Banerji

<p>Tax Plan Likely to Boost Dollar <i>Repatriation of profits is expected to bolster the currency – but how long will rally last?</i></p>	<p>A provision of the tax overhaul is expected to release a tide of U.S. corporate cash from abroad, a development likely to jolt the dollar and reverberate throughout financial markets early next year.</p> <p>Companies could bring back as much as \$400 billion, according to one estimate,...</p> <p>The currency's climb over the past several years has been blamed for pressuring profits among U.S. multinational companies and making exporters' goods less competitive abroad.</p> <p>Its trajectory also influences prices for raw materials like oil, copper and gold, which are denominated in dollars and become more expensive to foreign investors when the dollar rises.</p>	<p>The Wall Street Journal</p>	<p>12/26/2017</p>	<p>Ira Iosebashvili</p>
<p>Risks Lurk in Emerging Markets</p>	<p>Net capital inflows in emerging markets are at their highest in two years. JPMorgan forecasts growth across emerging countries to reach 4.8% for the year.</p> <p>Emerging-market stocks and bonds are among the best assets globally on a total-return basis.</p> <p>Amid all the merriment however, credit ratings have trended to their lowest level since 2010, according to an index created by the Institute of International Finance.</p> <p>The ratings trend suggests the agencies are still worried about the sustainability of many emerging countries' high levels of debt and ability to refinance it as rates rise.</p> <p>One of the biggest, most unquantifiable risks of emerging-market investing – politics – is set for a big year. At least 18 elections are scheduled, including in emerging-market giants like South Africa and Indonesia.</p> <p>The risk of unexpected outcomes is high.</p>	<p>The Wall Street Journal</p>	<p>12/26/2017</p>	<p>Anjani Trivedi</p>
<p>Economists Brighten Forecasts for Growth</p>	<p>The final version of a \$1.5 trillion tax cut signed into law by President Donald Trump last week provides a slightly more front-loaded round of fiscal stimulus than earlier versions passed by Congress.</p> <p>Meanwhile, Congress is likely to consider a deal in January to boost federal spending caps and spend heavily on disaster relief.</p> <p>The combined tax cuts and spending increases are likely to add around 0.7 percentage point to gross domestic product growth in 2018 and an additional 0.2 percentage point in 2019, said Lewis Alexander, chief U.S. economist at Nomura Securities LLC.</p> <p>Economists at Goldman Sachs last week revised up their 2018 and 2019 growth forecasts by 0.3 percentage point and 0.2 percentage point, respectively to 2.6% and 1.7%.</p> <p>Many economists see the tax cut boosting growth by spurring household consumption, and reductions in corporate tax rates could lift capital spending.</p>	<p>The Wall Street Journal</p>	<p>12/26/2017</p>	<p>Nick Timiraos</p>

What's News	◆ Moody's raised concern about a possible glut of new office space, predicting demand will weaken.	The Wall Street Journal	12/27/2017	
What's News	◆ Oil prices hit a 2 ½ year high after a pipeline blast in Libya, settling at \$59.97 a barrel on the Nymex.	The Wall Street Journal	12/27/2017	
Long-Term Rates Pose Risk for Rally	<p>Investors are elated by a booming global economy and central banks' promises to tighten monetary policy only gradually. The risk in the coming year: that long-term interest rates develop a mind of their own. So far, those longer-term rates have remained subdued, even as the U.S. Federal Reserve increased short-term rates three times in 2017...</p> <p>If longer-term rates suddenly rose, that could throw cold water on stock markets that have been hitting repeated new highs.</p> <p>That longer-term yields – especially “real” ones that are inflation indexed – have stayed low has helped push money into risky assets...</p>	The Wall Street Journal	12/27/2017	Jon Sindreu
Worries Mount Over Office Glut <i>Moody's flags increase in new construction even as it predicts a weakening in demand</i>	<p>Moody's Investors Service has joined the growing chorus of voices raising concern about a possible glut of new office space that could hurt some market participants.</p> <p>And through 2018, the credit-ratings firm expects the annual growth rate of U.S. office space to roughly double that of the past three years.</p> <p>At the same time, Moody's expects the growth in demand for office space to weaken.</p> <p>The upshot: higher office vacancy.</p>	The Wall Street Journal	12/27/2017	Emily Nonko
What's News	◆ U.S. economic data are beating forecasts by the most in nearly six years, according to a Citigroup index.	The Wall Street Journal	12/28/2017	
What's News	◆ U.S. stocks edged higher ahead of the final trading day of the year. The Dow added 63.21 points to close at 24837.51, a record.	The Wall Street Journal	12/29/2017	
Index Funds Turn Top-Heavy With Tech	<p>Being passive can leave you with too much of a good thing.</p> <p>Investors who loaded up on U.S. and Asian stock-index funds might be surprised to learn just what they own now: technology stocks – a lot of them.</p> <p>...the weighting of technology stocks in the S&P 500 index has climbed to 23.8% as of Dec. 26...</p> <p>Three years ago, tech stocks had a 19.7% weighting in the U.S. stock market benchmark...</p> <p>The weighting of technology stocks in the MSCI Emerging Markets...</p> <p>...was 28% as of Dec. 21, from 23.3% a year ago.</p>	The Wall Street Journal	12/29/2017	Kenan Machado and Saumya Vaishampayan

	The S&P 500 index has climbed 20% this year and is on track to chalk up its biggest annual gain since 2013. The tech-oriented Nasdaq Composite Index is up 29% this year.			
Why the Tax Overhaul Could be a Gamble for the U.S.	One of the lingering questions about the overhaul of the U.S. tax code is what will happen to the U.S. national debt, already one of the world's largest debt burdens. Only four large countries have more debt for the size of their economies. Estimates differ on how much economic growth the legislation will generate...	The Wall Street Journal	12/30-31/2017	Josh Zumbrun
Treasury Prices End Strong	U.S. government bonds strengthened on the last trading day of 2017, capping off the calmest year for the 10-year Treasury note in almost four decades. The yield on the 10-year note fell Friday to 2.409%, from 2.432%below where it ended last year at 2.446%. Bond prices rise as yields fall. The yield on the two-year Treasury note, which tends to be more sensitive to the path of rate increases, recorded its largest yearly climb in over a decade, finishing at 1.887%. With inflation pressures relatively muted, some analysts see little reason for the 10-year yield to break out of the relatively narrow range in which it has traded recently.	The Wall Street Journal	12/30-31/2017	Gunjan Banerji
What's News	◆ The Dow posted its second-biggest yearly gain of the past decade in 2017, rising a surprising 25%, and the S&P 500 ended up 19%, defying early expectations for a "sideways market."	The Wall Street Journal	12/30-31/2017	
What's News	◆ International stocks out-performed the S&P 500 for the first time since 2012, ending with gains of 24%.	The Wall Street Journal	12/30-31/2017	
What's News	◆ Oil prices ended the year above \$60 a barrel, a level not seen since June 2015.	The Wall Street Journal	12/30-31/2017	

Research shows the average IPO in the U.S. underperforms the market benchmark by 21% per year in the first three years following its release. *MarketWatch, July 21, 2016*

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