

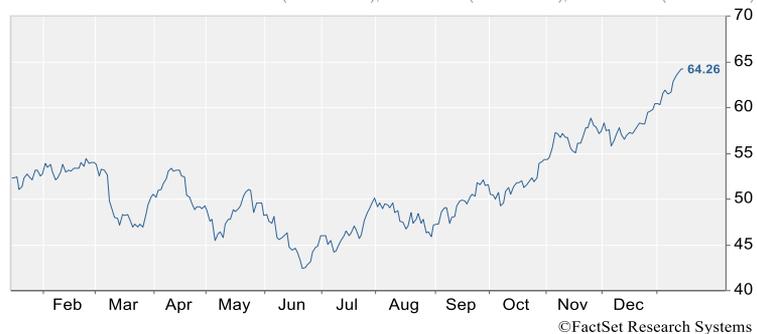
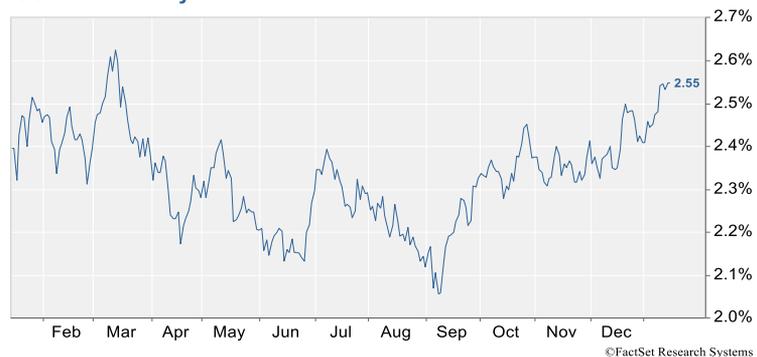
**HEADLINE NEWS**
**Risk-On to Start the Year as Investors Brace for Earnings**

- The risk-on sentiment that dominated in 2017 has clearly spilled over into the start of 2018, with the S&P 500 gaining 4.28% over the first two weeks of the year. The strength in stocks has come despite a lack of catalysts, and, in this vacuum, the path of least resistance for investors is seemingly to the upside. A synchronized uptick in global economic growth, improving global corporate profits, and historically accommodative central banks continue to provide a positive environment for stock holders.
- Fourth quarter earnings season begins to pickup this week with 28 S&P 500 companies reporting results. Analysts expect S&P 500 companies to report earnings growth of 10.2% this quarter according to data from FactSet Research. It is important to note that actual results have beaten analyst expectations by 3% on average over the past five years due to upside earnings surprises. Should actual earnings come in at 13.2%, it would mark the second highest quarterly earnings growth since the third quarter of 2011. The topic on every analyst's mind when listening to the companies' management teams on their respective earnings conference calls will be the impact of the new tax bill. It should be a noisy quarter given the adjustments companies will need to take on their deferred tax assets and liabilities and the one-time tax owed on foreign profits.
- One risk facing the stock market is inflation and how that impacts bond yields, the shape of the yield curve, and subsequently equity valuations. Last week, headline CPI showed a reading up 2.1% YoY, with core CPI (less food and energy) up only 1.8%. Inflation has remained stubbornly low despite decent economic growth and a tight labor market. Interestingly, if you take out energy (+6.9%) and owner's equivalent rent (+3.2%), which make up 30% of CPI, the headline inflation number drops to +0.8%. Apparel, air fare, new vehicles, and cellphone bills all decreased, substantiating the notion that increased competition and the shift to online shopping have the potential to keep inflation in check.

**S&P 500**

**WTI Crude Oil Spot Price (\$/barrel)**

Max: 64.26 (12-JAN-18), Min: 42.48 (21-JUN-17), Last: 64.26 (15-JAN-18)


**US 10Y Treasury Yield**

**NOTABLE EARNINGS DUE THIS WEEK**

DATE	TIME	TICKER	COMPANY NAME
1/17	Before Market	SCHW-US	The Charles Schwab Corp.
1/17	06:45 AM	BAC-US	Bank of America Corp.
1/17	07:30 AM	GS-US	The Goldman Sachs Group, Inc.
1/18	07:00 AM	MS-US	Morgan Stanley
1/18	04:00 PM	IBM-US	IBM Corp.

Source: FactSet and API

**KEY MACROECONOMIC DATA DUE THIS WEEK**

DATE	TIME	EVENT	PERIOD	CONSENSUS	PRIOR
1/17	09:15 AM	Industrial Production SA M/M	DEC	0.40%	0.24%
1/17	10:30 AM	EIA Crude Oil Stocks	01/12		-4.9M
1/18	08:30 AM	Initial Claims SA	01/13	250.0K	261.0K
1/19	01:00 PM	Baker Hughes U.S. Rotary Oil Rigs	01/19		752.0

Source: FactSet and API

**INDEX RETURNS (AS OF 1/12/2018)**

	MTD	YTD
S&P 500	4.28	4.28
Dow Jones Ind. Avg.	4.44	4.44
Barclays MM Short 1-5 Yr.	0.04	0.04
Barclays MM 1-10 Yr.	-0.20	-0.20
ML US Gov/Corp 1-10 Yr.	-0.38	-0.38

Source: Interactive Data

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