

HEADLINE NEWS
The Trump Rotation

- Stock investors are certainly keeping an open mind when it comes to the prospects of a Trump presidency. While no firm plans or policies have emerged, Trump's plan to increase infrastructure spending and cut taxes are viewed as pro-growth and inflationary. As a result, we have seen bond yields move up, which has caused a rotation out of the bond-proxy sectors of the market: utilities, telecoms, REITs, and consumer staples. Financials have been the largest beneficiary of this rotation, as higher yields and the outlook for relaxed regulations have led to a nearly 14% gain in the sector since Election Day. This move has left the Financials sector at more than four standard deviations overbought, the most since 1989 according to Bespoke Investment Group. Risks to the outlook for stocks remain, however, as a number of items are seemingly being obscured by the positive momentum. First, is the move up in the U.S. dollar, which is being driven by economic growth expectations and the likely upcoming rate hike from the Fed. Second, is the risk that higher yields will make stocks less attractive from a valuation standpoint. Third, is the recent slump in oil prices and the influence that could have on the economy. Lastly, we will be watching for any details on Trump's trade policy initiatives and the impact they could have on the global economy. None of these issues are likely to be resolved in the week following an election, but we will be watching for any indications in the coming months.

Key Macroeconomic Data Due this Week

Date	Time	Event	Period	Consensus	Prior
11/16	8:30 AM	PPI ex-Food & Energy SA M/M	OCT	0.2%	0.2%
11/16	8:30 AM	PPI SA M/M	OCT	0.3%	0.3%
11/16	9:15 AM	Industrial Production SA M/M	OCT	0.2%	0.1%
11/16	10:30 AM	EIA Crude Oil Stocks	11/11		2.4M
11/17	8:30 AM	CPI ex-Food & Energy SA M/M	OCT	0.2%	0.1%
11/17	8:30 AM	CPI SA M/M	OCT	0.4%	0.3%
11/17	8:30 AM	Initial Claims SA	11/12	257.5K	254K

Source: FactSet and API

S&P 500


Source: FactSet Prices

Notable Earnings Due this Week

DATE	TIME	TICKER	COMPANY NAME
11/14	After Market	AAP-US	Advance Auto Parts, Inc.
11/15	Unspecified	HD-US	The Home Depot, Inc.
11/15	9:30 AM	TJX-US	The TJX Cos., Inc.
11/16	6:30 AM	TGT-US	Target Corp.
11/16	4:30 PM	CSCO-US	Cisco Systems, Inc.
11/17	7:00 AM	WMT-US	Wal-Mart Stores, Inc.
11/17	After Market	CRM-US	salesforce.com, inc.

Source: FactSet & API

WTI Crude Oil Spot Price (\$/barrel)

Max: 51.59 (19-OCT-16), Min: 26.19 (11-FEB-16), Last: 43.39 (11-NOV-16)



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FIXED INCOME UPDATE
Yields On the Move Post Election

- Initially, Trump's victory in the Presidential election caused a flight-to-quality rally in the fixed income market due to increased uncertainty. However, Trump's pro-growth stance, including infrastructure spending, lower taxes, and lower regulation, has increased inflationary fears causing a significant increase in rates. The move seems to be reactionary and overdone, and we expect rates to stabilize in the coming trading sessions.
- The market continues to price in a FOMC rate hike in December. The implied probability of a hike has increased to 92% from the previous range in the low 80%. The question of additional future rate hikes will linger going forward and cause data releases to continue to be highlighted.

INDEX RETURNS (AS OF 11/11/16)

	MTD	YTD
S&P 500	1.92	7.90
Dow Jones Ind. Avg.	4.07	10.70
Barclays MM Short 1-5 Yr.	-0.21	0.86
Barclays MM 1-10 Yr.	-0.59	1.39
ML US Gov/Corp 1-10 Yr.	-0.73	2.42

Source: Interactive Data

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