

**HEADLINE NEWS**
**Tech Stocks Drop on Tax Reform**

- The S&P 500 reached a new all-time high last week on a stronger than expected US GDP number and improved prospects for tax reform out of Washington, DC. With improved traction on tax reform, investors rotated into small cap stocks and value plays, both deemed to be “winners” under the new tax bill. Growth stocks, the Tech sector in particular, lagged the overall market, as investors took profits in their year-to-date leaders. With the Technology sector up over 30% year-to-date coming into last week, the team at Appleton believes that some profit taking was to be expected. Two items specific to tax reform could also be at work: (1) the Tech sector has the lowest effective tax rate at 24%, so stands to benefit the least relative to the other sectors; and (2) the Senate retained corporate AMT in their version of the bill, which is something the House had done away with. With the corporate tax rate at 35% and the AMT rate at 20%, corporations rarely had to pay the AMT. With the corporate rate proposed drop to 20%, keeping the corporate AMT rate at 20% meant that most companies would now be subject to the AMT. Corporate AMT rules do not allow for corporations to claim the benefit of a number of credits related to research and development costs and intellectual property, two areas that disproportionately impact technology companies. The team at Appleton believes that the corporate AMT issue will be addressed when the bill goes to committee, and it is unlikely to make it to the final version. Tech companies also stand to benefit the most from a drop in repatriation tax rates. We will be watching to see if this rotation trade has legs as we head into year-end.

**S&P 500**


Source: FactSet Prices

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

Max: 58.94 (24-NOV-17), Min: 42.48 (21-JUN-17), Last: 57.47 (04-DEC-17)



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**US 10Y Treasury Yield**


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**NOTABLE EARNINGS DUE THIS WEEK**

DATE	TIME	TICKER	COMPANY NAME
12/5	Before Market	AZO-US	AutoZone, Inc.
12/6	Before Market	HRB-US	H&R Block, Inc.
12/7	Unspecified	DG-US	Dollar General Corp.
12/7	04:15 PM	COO-US	The Cooper Cos., Inc.

Source: FactSet and API

**KEY MACROECONOMIC DATA DUE THIS WEEK**

DATE	TIME	EVENT	PERIOD	CONSENSUS	PRIOR
12/5	-	Total Light Vehicle Sales	NOV	17.5M	18.0M R
12/5	09:45 AM	Markit PMI Services SA (Final)	NOV	55.2	54.7
12/5	10:00 AM	ISM Non Manufacturing SA	NOV	59.0	60.1
12/6	10:30 AM	EIA Crude Oil Stocks	12/01		-3.4M
12/7	08:30 AM	Initial Claims SA	12/02	240K	238.0K
12/8	08:30 AM	Hourly Earnings SA M/M	NOV	0.30%	0.0%
12/8	08:30 AM	Nonfarm Payrolls SA	NOV	190.0K	261.0K R
12/8	08:30 AM	Unemployment Rate	NOV	4.1%	4.1%
12/8	01:00 PM	Baker Hughes U.S. Rotary Oil Rigs	12/08		749.0

Source: FactSet and API

**INDEX RETURNS (AS OF 12/1/2017)**

	MTD	YTD
S&P 500	-0.20	20.25
Dow Jones Ind. Avg.	-0.16	25.49
Barclays MM Short 1-5 Yr.	0.11	1.42
Barclays MM 1-10 Yr.	0.26	2.95
ML US Gov/Corp 1-10 Yr.	0.12	1.66

Source: Interactive Data

**APPLETON PARTNERS, INC ONE POST OFFICE SQ. BOSTON, MA 02109 TEL. 617.338.0700 WWW.APPLETONPARTNERS.COM**

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