Macroeconomic Overview

	Index	Weekly % Change	YTD % Change
SPX Index	SPX Index	0.24%	6.23%
INDU Index	INDU Index	0.06%	5.83%
CCMP Index	CCMP Index	0.67%	9.62%
RTY Index	RTY Index	1.92%	2.53%
VIX Index	VIX Index	-3.26%	-19.66%

Domestic

Equity markets finished in the green this week following an anticipated rate hike conducted by the Federal Reserve. The Federal Funds target was moderately increased by .25%, and establishes a new target range of .75 to 1.00%. As rate movements reflect underlying economic assumptions, this increase comes in the wake of strong employment data, increased inflation expectations, and overall economic output. Unemployment rates dropped in February to roughly 4.5%, according to analysts at T. Rowe Price, and guidance from Chair Yellen indicated that inflation is closer to their 2% target, and may even exceed that target. However, there is a conflict between Congressional guidance and those of analysts. President Trump iterated that the administration's "America First" plan would catapult the economy into a 3 – 3.5% growth arena, but analysts provide an ulterior outlook. T. Rowe Price analysts guide that these estimates are "probably not realistic."

Rate hikes are usually in response to climbing inflation rate expectations. In an environment where expectations are quickly climbing, hikes will typically offset this in order to prevent the economy from moving too fast. With the current inflation outlook provided by Chair Yellen and her remarks concerning the durability and resilience of the economy, a more nuanced outlook applies to the future pace of the economy. Contained inflation expectations and low targets indicate that the Fed has room to normalize rates gradually since there is no sign of increased economic friction.

The direct impacts of the hike are seen positively in the equity markets with the Russell 2000 recording this week's high. Analysts at Edward Jones indicate that equities have shown historically large gains in the three years following rate hikes since 1986, showing a 9.2% return. This rate is comparable to the Nasdaq Composite's YTD return and continued gains throughout the rest of the major indexes.

The Fed provided guidance for the rest of 2017 leaning towards two more rate hikes by year's end. As long as strong economic data justifies the FOMC decision, equity markets will continue to price in expected increases.

Next Week Ahead: Information release is expected to be light this week.

- Existing home sales data – Wednesday
- New home sales data – Thursday
- Chair Yellen speech - Thursday

Foreign Markets

	Index	Weekly % Change	YTD % Change
BE500 Index	BE500 Index	1.50%	4.51%
SXXP Index	SXXP Index	1.36%	4.68%
DAX Index	DAX Index	1.10%	5.35%
UKX Index	UKX Index	1.12%	3.95%
CAC Index	CAC Index	0.72%	3.43%
NKY Index	NKY Index	-0.42%	2.13%
SHCOMP Inde	SHCOMP Index	0.77%	4.31%
SZCOMP Inde	SZCOMP Index	0.80%	3.08%

Europe: The Monetary Policy Committee of England held a meeting this week in order to vote on rate movements. The BOE is reportedly closer to rising rates than the market had previously indicated. Underneath the noise surrounding Brexit impacts, the English economy seems to be undergoing rebounded inflation expectations. With pressures beginning to revert upwards and the recent legislation kicking off the UK's withdrawal from the EU, the need for monetary policy changes is coming to fruition. During their meeting this week, members of the BOE have indicated that they would be in favor of hikes given increased inflation expectations. With a rate hike heading into the process of officially leaving the EU, the BOE could set the UK up for increased economic expansion.

Asia:

The BOJ, along with the BOE, held monetary policy meetings this week. BOJ news stays relatively quiet as their economy still doesn't support rate hikes. However, China influenced repo rate upwards by ten basis points in order to influence foreign exchange stabilization with the USD/CNY. In addition, they voted to increase short term rates. Despite decisions in Japan and the state of "limbo" in the UK, rate movements in China indicate a global slowdown in excessive monetary accommodations.

This Week Ahead:

- UK inflation data – Tuesday
- BOJ minutes release from most recent monetary meeting - Tuesday