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FINANCIAL MARKET UPDATE
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THE WEEK IN REVIEW

Wednesday's mid-term election results dominated news headlines this week. As expected, Democrats took control of the House of Representatives while Republicans maintained control of the Senate. The S&P 500's 2.1% gain on the day after the election may have been a signal that investors embraced potential gridlock in Washington. Gridlock would likely reduce the probability that President Trump's tax cuts will be reversed, but it also makes additional fiscal stimulus less likely which, in turn, could fuel higher inflation and interest rates. Stocks gave up most of Wednesday's gains over the next two days. One potential explanation for the brevity of positive sentiment was that investors' focus returned to the Federal Reserve's reiterated plan to continue raising interest rates.

The Federal Reserve held short-term interest rates in place Thursday and expressed a positive opinion of the U.S. economy, suggesting a likely rate increase in December. Fed officials voted unanimously in September to increase the benchmark rate to a range between 2.00%-2.25%. A rate hike in December would be the fourth rate increase of 2018. Fed officials mentioned continued strength in the labor market and significant economic activity. The recent stock market selloff does not appear likely to change the Fed's interest rate plans. Unlike periods of market stress in 2015 and 2016, the recent turbulence in U.S. stocks was not mentioned in the Fed's statement. Inflation will remain a key driver for the pace of Fed rate hikes, as higher levels of wage growth and tariffs could potentially push inflation higher.

The ISM non-manufacturing index reading registered 60.3 in October, above the 59.3 consensus estimate. The reading reaffirms U.S. services sector strength despite a cooling off after a record month in September. The University of Michigan consumer sentiment index came in at 98.3 in November, down slightly from 98.6 in October. Sentiment remains near all-time highs as consumers' income expectations increased, potentially pointing to healthy consumer spending during the holiday season.

Crude oil prices fell into a bear market this week, trading around $60 per barrel late in the week after falling over 20% from their recent closing high of $76.41 on October 3. October was the worst month for oil since 2016 with prices declining 10.8%. Concerns about oil market oversupply have been exacerbated by increases in U.S. oil inventories and reduced global oil demand forecasts.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Initial Jobless Claims (Thousands)	214	214	-
ISM Non-Manufacturing	60.3	55.7	▲
U. of Mich. Consumer Sentiment	98	96	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	25989.30	2.84%	5.14%	10.77%
NASDAQ	7406.90	0.68%	7.29%	9.73%
S&P 500 Large Cap	2781.01	2.13%	4.02%	7.60%
MSCI EAFE	1856.93	1.08%	-9.45%	-7.27%
Barclays Aggregate US	1993.64	0.08%	-2.58%	-2.37%

KEY BOND RATES	CURRENT	1WK AGO	1MO AGO	1YR AGO
3-Month T-Bill	2.34%	2.31%	2.23%	1.22%
10-Year Treasury	3.18%	3.21%	3.21%	2.34%

REPORTS DUE NEXT WEEK	LATEST
Consumer Price Index (YoY)	2.3%
Retail Sales (MoM)	0.1%
Industrial Production (MoM)	0.25%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.