INCISIVE INVESTOR

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WEEK IN REVIEW
MARKETS TAKE A BEATING

Review of the week ended February 2, 2018

- **US markets are all down for the day & week**
- **Jobs report shows increases**
- **Foreign markets are mixed**
- **Major company news**
- **Yellen lands new job**

U.S. stocks sold off sharply on Friday with the main benchmarks suffering their biggest one-day drops in more than a year and posting the steepest weekly losses in about two years. The Dow Jones Industrial Average dropped 665.75 points, or 2.5%, to end at 25,520 and shedding more than 1,095 points for the week, which would be its steepest weekly slide since Oct. 10 2008, when it shed 1,874 points, according to FactSet data. The Dow ended down Friday as Treasury yields increased following an upbeat jobs report. On a percentage basis, the weekly decline, 4.1%, would be the worst for the blue-chip gauge since the 6.2% weekly decline in early January of 2016. Rising yields can undercut investors' appetite for assets perceived as risky, including stocks. All 30 Dow components finished in negative territory on Friday.

The S&P 500 index meanwhile, finished down 2.1%, at 2,762, while the Nasdaq Composite Index gave up 2% at 7,240, and booked a 3.9% weekly loss. Friday's decline was the biggest one-day drop since September 2016. The benchmark index is down 3.9% from its all-time high set last Friday, with this pullback marking the first of this magnitude in 14 months.

Losses on Wall Street were broad-based with all 11 main sectors finishing with losses. Energy stocks sold off following a drop in oil prices. The Energy Select Sector SPDR Fund (XLE) fell 4.5%, its worst one-day drop since Jan 25, 2016. Technology shares suffered a 3% decline

after disappointing earnings and outlook from big tech companies. The smallest weekly decline came from the telecommunications sector, which slipped 1.3% on the week.

Politics emerged as another worry, with less than a week to go before lawmakers need to approve another measure to continue funding US government operations. Also on Friday afternoon, a controversial, previously classified memo was released by Republican lawmakers about allegations of misconduct by Federal Bureau of Investigation officials.

Gold prices fell 1% to $1,334.30 an ounce, oil futures dropped 1.1% to $65.07 a barrel. The CBOE Volatility index, or VIX, jumped 29% to the highest since late 2016.

Jobs report

The U.S. created 200,000 new jobs in the first month of 2018, showing that companies are still hungry to hire more than eight years after an economic expansion began. Even better, worker pay also rose at the fastest yearly pace since 2009. The increase in hiring exceeded Wall Street's forecast. Economists who were polled had predicted a 190,000 increase in nonfarm jobs. Unemployment remained at a 17-year low of 4.1%, the government said Friday. The big news is rising worker pay.

Average hourly wages jumped 9 cents, or 0.3%, to $26.74. That pushed the yearly increase to 2.9% from 2.6%, marking the highest level since the end of the Great Recession in June 2009. The big worry for the Federal Reserve, on the other hand, is that an ultra-tight labor market will stoke inflation and force the central bank to raise interest rates more aggressively, an outcome that could hurt U.S. growth. However, so far there is little evidence to suggest a big upswing in inflation.

Major Company News

The energy sector's tumble came as crude-oil futures fell Friday amid a rising US dollar on the January jobs data. Among the sector's decliners, Exxon Mobil (XOM) shares were down 5.0% for the week amid a 5.1% drop in the stock on Friday alone. Exxon's shares were hurt not only by the tumble in crude futures but also by the

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oil-and-gas company's report of a weaker-than-expected Q4 adjusted earnings per share and revenue.

In the materials sector, the decliners this week included DowDuPont (DWDP) as the chemical giant reported better-than-expected Q4 adjusted earnings and revenue but cautioned that seed and pesticide sales could be negatively impacted by challenges in the farming industry. Shares of DowDuPont slipped 8.0% on the week. The telecommunications sector's decline this week was minimized by a 0.7% increase in AT&T (T) shares as the company reported Q4 adjusted earnings and revenue above analysts' expectations. The company also forecast 2018 adjusted earnings per share above the Street consensus view, if comparable.

Shares in Amazon Inc. (AMZN) climbed 3% after the e-commerce retailer posted fourth-quarter profit and revenue that blew past forecasts. Apple Inc. shares (AAPL) fell 4.4% after the iPhone maker reported record earnings thanks to sales of the iPhone X, but its forecast fell short of expectations and sent the Nasdaq Composite well into the red and also handed the S&P's tech sector a 3% decrease.

Phillips 66 (PSX) shares fell 3.8% even as the company released earnings above Wall Street's expectations. Chevron (CVX) seemed to come in above analysts' views, but the numbers it reported included a one-time tax reform-related gain. Chevron plunged 5.6% in the Dow's worst move on the day. Visa Inc. (V) was down $4.81 to $120.91 as the credit card company forecast it will spend more on operating expenses.

Foreign Markets

Major stock indexes in Europe also declined Friday. Germany's DAX slid 1.7 percent, while France's CAC 40 lost 1.6 percent. The FTSE 100 index of leading British shares gave up 0.6 percent. In Asia, Japan's benchmark Nikkei 225 fell 0.9 percent and South Korea's Kospi slid 1.7 percent. Hong Kong's Hang Seng index dipped 0.1 percent. The ICE U.S. Dollar Index rose 0.6% to 89.21. The dollar rose to 110.28 yen from 109.42 yen on Thursday. The euro weakened to $1.2451 from $1.2502.

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Yellen lands new job

Federal Reserve Chair Janet Yellen, the first woman to head the nation's central bank, got a rousing send-off from the Fed staff, but she isn't taking any time off. After her last day at the Fed on Friday, she will start a new job Monday at the Brookings Institution.

THE WEEK AHEAD - UNITED STATES

Date	Release/Event
• Monday, February 5	PMI Services Index
• Tuesday, February 6	International Trade Balance
• Wednesday, February 7	MBA Mortgage Applications
• Thursday, February 8	Chain Store Sales; Jobless Claims
• Friday, February 9	Wholesale Trade Report

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