THE AUSTIN ADVISOR

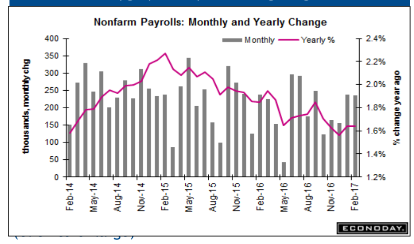
April 3, 2017

Markets	27-Mar	28-Mar	29-Mar	30-Mar	31-Mar	YTD%	30-Dec-16
DJIA	20,550.98	20,701.50	20,659.32	20,728.49	20,663.22	4.56%	19,762.60
S&P 500	2,341.59	2,358.57	2,361.13	2,368.06	2,362.72	5.53%	2,238.83
NASDAQ	5,840.37	5,875.14	5,897.55	5,914.34	5,911.74	9.82%	5,383.12
SNL Bank Index	526.16	534.38	531.89	541.58	535.84	0.60%	532.65
Fed Funds Rate	0.91%	0.91%	0.91%	0.91%	0.82%		0.55%
1 Month LIBOR	0.98%	0.98%	0.98%	0.98%	0.98%		0.77%
3 Month LIBOR	1.15%	1.15%	1.15%	1.15%	1.15%		1.00%
3 Month T-Bill	0.78%	0.78%	0.78%	0.78%	0.76%		0.51%
1 Year Treasury	1.00%	1.03%	1.04%	1.03%	1.03%		0.85%
2 Year Treasury	1.27%	1.30%	1.26%	1.28%	1.27%		1.20%
3 Year Treasury	1.51%	1.56%	1.53%	1.55%	1.50%		1.47%
5 Year Treasury	1.93%	1.97%	1.93%	1.96%	1.93%		1.93%
10 Year Treasury	2.38%	2.42%	2.39%	2.42%	2.40%		2.45%
30 Year Treasury	2.98%	3.02%	2.99%	3.03%	3.02%		3.06%

WEEKLY HIGHLIGHT

The economic data being released is reflective of better growth than the GDP data

NONFARM PAYROLLS



Economy		Week of March 27, 2017
Consumer Confidence	125.6	Instead of a small decline expected the index jumped from a revised 116.1, taking it to highest level since 2000.
Real GDP-Final	2.1%	Final data for the quarter was revised up from 1.9% on the strength of higher consumer final demand
Personal Income	0.4%	This strong data is even better with the internals showing the wage and salary component up 0.5%
Personal Spending	0.1%	The growth in incomes is not being used to increase spending, with the second consecutive month of low growth
Core PCE Price Index	0.2%	The YOY increase moved up to 1.8% and the total index stands at 2.1%, the first time in five years it is above Fed's target

MONDAY MUSING

The job I have requires driving to meet with clients. This can be boring, but I have found a way to make these drives interesting. I read billboards and rate them for humor. In the last week I found two that are now at the top of my list. Number two was the one that read, "Free Bungee Jumps for Any Member of Congress. No strings attached". Number one read "In this PC World can we just agree we have taken the idea that anyone can grow up to be President a bit too far."

Calendar	Release	Covering	Week of April 3, 2017
Motor Vehicle Sales	Monday	March	Sales are expected to remain at the 17.5 million annual rate, or it's average in the past six months
ISM Index	Monday	March	This index provides the best indication of future capital spending trends and is expected to remain above 57
Trade Deficit	Tuesday	February	The expanding trade deficit remains a drag on domestic growth and is expected to be reported at -$44.5 billion
Unemployment Rate	Friday	March	The last two months have reported stronger than expected labor market conditions, while the rate is expected to be unchanged this month at 4.7%
Nonfarm Payrolls	Friday	March	After two months of very strong growth, jobs are expected to be up 180,000 for March
Avg. Hourly Earnings	Friday	March	An increase of 0.3% is expected or slightly above the monthly average of the last year as the tight labor market forces wages higher
Consumer Credit	Friday	February	Following a below average report for January, credit growth is expected to rebound to $15.3 billion from $8.8B

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Commentary

It is a busy week, highlighted with the labor market report on Friday. Most of the data is for the last month in the first quarter. The data from last week did not reflect a strong first quarter of the year. The most important was the **personal spending** data for February. It only increased by 0.1%, while incomes grew by 0.4%. This drove the savings rate up to 5.6% for the month. This low spending growth is a surprise given the very strong increase in **consumer confidence** and **job growth**. It appears consumers are not willing to spend the increases in incomes they are receiving. This could also be a function of seasonal adjustment factors used to compile the data. The data in the first quarter has been much lower in the past three years than the remainder of the year and is centered in the **final demand sector**. We may be having the same problems this year. Other data does indicate a stronger economy than being reflected in the spending number. **Auto sales** continue to run about 17.5 million, **retail sales** have been stronger and the **housing market** has reported solid gains this year. Even the increase in the **trade deficit** from a surge in imports would indicate **consumer final demand** is stronger than this data would suggest.

The one sector that has increased is **inflation**. The core rate for the **PCE price index** increased by 0.2% for February, which brings the twelve month increase up to 1.8%. The total PCE price index has risen 2.1% over the past year. The Fed has set a target of 2.0%. The data is causing the Fed to be concerned they are getting behind inflation pressures, which would cause them to move **monetary policy** by larger increments going forward. They are concerned frequent moves or larger amounts would run the risk of slowing the modest economic growth being reported. The labor market data due out this Friday is expected to remain solid with job growth expected to be reported at 180,000 for the month. This would be less than the 237,000 average of the first two months of the year but is at the average of the last eighteen months. The **unemployment rate** is not expected to change from the 4.7% reported for February, but this is a function of the growth in the size of the labor force. As more jobs are available, more people come back into the labor force to look for work. The unemployment rate is a trailing indicator of the condition of the labor market. A solid **PMI** number, well above the breakeven level of 50, indicates the weakness in capital spending is being reversed. The economy is accelerating with no indication it is going to change direction in the next year. This growth should contribute to higher inflation and higher interest rates.