THE PROBANK AUSTIN ADVISOR

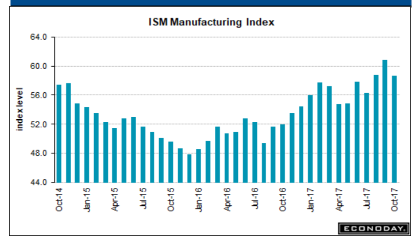
November 27, 2017

Markets	20-Nov	21-Nov	22-Nov	23-Nov	24-Nov	YTD%	30-Dec-16
DJIA	23,430.33	23,590.83	23,526.18	N / A	23,557.99	19.20%	19,762.60
S&P 500	2,582.14	2,599.03	2,597.08	N / A	2,602.42	16.24%	2,238.83
NASDAQ	6,790.71	6,862.48	6,867.36	N / A	6,889.16	27.98%	5,383.12
SNL Bank Index	577.06	577.78	575.79	N / A	573.91	7.75%	532.65
Fed Funds Rate	1.16%	1.16%	1.16%	N / A	1.16%		0.55%
1 Month LIBOR	1.29%	1.31%	1.33%	1.33%	1.34%		0.77%
3 Month LIBOR	1.45%	1.45%	1.46%	1.46%	1.47%		1.00%
3 Month T-Bill	1.30%	1.30%	1.29%	1.29%	1.29%		0.51%
1 Year Treasury	1.62%	1.62%	1.61%	1.61%	1.61%		0.85%
2 Year Treasury	1.77%	1.77%	1.74%	1.74%	1.75%		1.20%
3 Year Treasury	1.86%	1.88%	1.84%	1.84%	1.85%		1.47%
5 Year Treasury	2.09%	2.11%	2.05%	2.05%	2.07%		1.93%
10 Year Treasury	2.37%	2.36%	2.32%	2.32%	2.34%		2.45%
30 Year Treasury	2.78%	2.76%	2.75%	2.75%	2.76%		3.06%

WEEKLY HIGHLIGHT

Investors will be dealing with a wealth of data and an outgoing Fed Chair this week

ISM INDEX



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Economy		Week of November 20, 2017
Leading Indicators	1.2%	The rebound from the hurricane affected drop in September was larger than expected, with the labor market the big factor
Existing Home Sales	5.480 Million	Stronger than expected with a 2.0% month over month increase, dropping the inventory to less than a 4 month supply
Durable Goods Orders	-1.2%	After two strong months, orders dropped in October due to a large drop in aircraft orders, but were up 0.4% excluding sector
Thanksgiving Day		

ON THIS DAY IN HISTORY

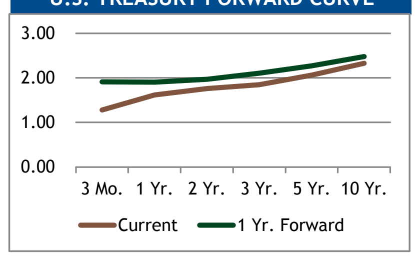
1895 - Aflred Nobel's will establishes the Nobel Prize

1910 - NY's Penn Station opens as world's largest railway terminal

1951 - Cease-fire & demarcation zone accord singed in Panmunjon, Korea

Calendar	Release	Covering	Week of November 27, 2017
New Home Sales	Monday	October	The monthly new home sales data is highly volatile with the consensus at 620K, down from the very strong 667K in September
Consumer Confidence	Tuesday	November	This index was at a 17 year high reading in October and is expected to remain strong staying above 124
Real GDP-Revised	Wednesday	3rd Qtr	The first revision to the 3.0% growth estimated in the Advance Report is expected to increase to 3.3%
Janet Yellen Testifies	Wednesday		Chairwoman Yellen provides her last testimony to Congress before leaving the Fed in late January
Personal Income	Thursday	October	Another solid month of income growth at 0.3% is expected, following the 0.4% increase in September
Personal Spending	Thursday	October	Spending is forecast to grow by 0.3%, which is well below the surge in September from hurricane recovery
Core PCE Price Index	Thursday	October	A small acceleration in prices is expected with 0.2% the forecast, but still leaves YOY increase at 1.4%, well below the Fed target
Motor Vehicle Sales	Friday	November	Car sales surged in September and October due to replacement needs from storms and are expected to be 17.6 M in November
ISM Index	Friday	November	This indicator of future manufacturing activity has been very strong and is expected to remain above 58 for November

U.S. TREASURY FORWARD CURVE



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Commentary

This is another week with a wealth of economic data scheduled to be released. On balance, the data is expected to continue to reflect an economy expanding at an accelerating rate. The first revision to third quarter **Real GDP** is due out on Wednesday, and is forecast to be moved up to a 3.3% increase from the first estimate of 3.0%. The upward revision should be caused by better consumption growth. Income and spending data for October is due out on Thursday. That data will provide evidence of whether the fourth quarter is starting on a strong note. It appears from early indications, the holiday spending season is starting strong with growth of 4% above last year. The **inflation** data contained in the income and spending report is expected to confirm the lack of inflation pressure with the **core PCE Price Index** only up 0.02% for the month. That would leave the year-over-year increase at 1.4%, still well below the Fed's target of 2%. **Fed Chairwoman Yellen** is scheduled to give her final testimony before Congress on monetary policy direction and the Fed's view of current economic conditions. No new information or indication of a change in policy direction is expected from this testimony. It will be a chance for her to review her time at the Fed and justify current policy direction.

The outlook for manufacturing should be bright with the release of November auto sales and the **ISM Index** on Friday. **Auto sales** had been averaging 16.5 million annualized for the first eight months of the year, down from 17.4 million in 2016. Sales jumped to above 18 million in September from the surge for replacements of hurricane damaged vehicles. Sales remained above 18 million for October and are expected to be above 18 million for November. It appears auto sales are remaining strong, even after the surge from the storms. The ISM index is a diffusion reading, with anything above a reading of 50 indicating expansion going forward. The index surged above 50 in the first quarter and has risen to as high as 61 in September. It was reported as 58.7 in October and is expected to remain above 58 in November. These readings indicate a strong manufacturing sector over the next year, with rising levels of industrial production and durable goods orders. The biggest issue facing the new Fed Chairman is the question as to why inflation has remained subdued in light of the tight labor market and strengthening economic data. The Fed will need to determine if this is a permanent structural change in our economy or if it's transitory. The **FOMC** meeting on December 13 will result in another increase in managed rates, given the strength of the economic data other than inflation. Two consecutive quarters of better than 3% Real GDP growth and **unemployment** rates at 4.1% justifies the Fed continuing its plan to normalize monetary policy over the next year.

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