THE AUSTIN ADVISOR

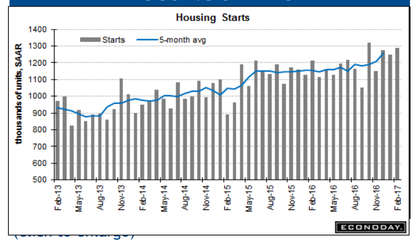
April 17, 2017

Markets	10-Apr	11-Apr	12-Apr	13-Apr	14-Apr	YTD%	30-Dec-16
DJIA	20,658.02	20,651.30	20,591.86	20,453.25	N/A	3.49%	19,762.60
S&P 500	2,357.16	2,353.78	2,344.93	2,328.95	N/A	4.03%	2,238.83
NASDAQ	5,880.93	5,866.77	5,836.16	5,805.15	N/A	7.84%	5,383.12
SNL Bank Index	524.65	524.52	518.50	509.86	N/A	-4.28%	532.65
Fed Funds Rate	0.91%	0.91%	0.91%	0.91%	N/A		0.55%
1 Month LIBOR	0.99%	0.99%	0.99%	0.99%	N/A		0.77%
3 Month LIBOR	1.16%	1.16%	1.16%	1.16%	N/A		1.00%
3 Month T-Bill	0.82%	0.82%	0.81%	0.81%	0.81%		0.51%
1 Year Treasury	1.07%	1.05%	1.04%	1.03%	1.03%		0.85%
2 Year Treasury	1.29%	1.24%	1.24%	1.21%	1.21%		1.20%
3 Year Treasury	1.52%	1.45%	1.44%	1.40%	1.40%		1.47%
5 Year Treasury	1.91%	1.84%	1.81%	1.77%	1.77%		1.93%
10 Year Treasury	2.37%	2.32%	2.28%	2.24%	2.24%		2.45%
30 Year Treasury	2.99%	2.93%	2.92%	2.89%	2.89%		3.06%

WEEKLY HIGHLIGHT

The data remains mixed and inflation remains muted based on the data from last week

HOUSING STARTS



Economy	Week of April 10, 2017	
JOLTS	5.743 Million	The number of unfilled jobs increased in February, from 5.625M in January, indicating job growth will continue
Producer Price Index	-0.1%	The core rate was unchanged after rising 0.3% in February, taking the YOY change for the core up to 1.6%
Consumer Price Index	-0.3%	The drop in oil prices in early March was the biggest factor in the larger than expected decline
Retail Sales	-0.2%	Excluding autos, sales were unchanged in the last month of the first quarter, which will be well below the fourth quarter

MONDAY MUSING

It does not take very long for companies to take advantage of current conditions. Spirit Airlines announced their new marketing program on Friday. It is headlined with the slogan, "We beat the competition, not the passengers." United Airlines had to abandon its new slogan, "Unbeatable Prices." Marketing has never been easier.

Calendar	Release	Covering	Week of April 17, 2017
Housing Starts	Tuesday	March	The housing sector remains a strength adding to total economic growth, with 1.262 million expected
Industrial Production	Tuesday	March	While total output is expected to be up 0.4%, the manufacturing activity is expected to continue its trend in growth at 0.3%
Capacity Utilization	Tuesday	March	The rising level of production is finally expected to move the needle on capacity, with the data expected to be up 76.0%
Leading Indicators	Thursday	March	This index has been signaling a stronger economy with +0.6% for each of the last three months, but only 0.2% for March
Existing Home Sales	Friday	March	Sales have grown at a steady pace limited only by a shortage of inventory in many markets, expect 5.606 M up from 5.480M

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Commentary

The **yield curve** continues to flatten with intermediate and long-term bonds gaining in price. The short end of the curve has held steady over the last month. Investors expect **the Fed** to raise managed rates, while the long end of the curve is driven down on mixed economic data and geopolitical risks. The mixed economic data included weaker than expected **retail sales** for March and low **inflation** reports. Both the **PPI** and **CPI** reports reflected no pricing pressures building. Most of the pricing weakness was a function of the drop in oil and gas prices in March. Those prices have rebounded in April, and we expect higher inflation data to be released in the next two months. The weak retail sales data is of greater concern. Sales were reported as having dropped by 0.2% for the last month of the quarter. The decline was largely driven by a slowdown in **auto sales**. Excluding this drop, retail sales were unchanged for the month. A second factor is retail sales not being adjusted for price changes, a drop in gas prices shows up as a drop in sales even if the unit volume increases. Excluding auto's and gas, retail sales were up 0.1%. This is important to our forecast of better than 3% **Real GDP** growth this year, since we are expecting this to be led by strong personal consumption expenditure increases. This has not been the case in the first quarter of the year.

Other data released last week does point to faster overall growth and continued high levels of consumer confidence. The **JOLTS index** did increase in February as the labor market remains tight. This week we will get housing sector data with both the **housing starts** and **existing home sales** data expected to report solid improvement. **Industrial production** data due out on Tuesday is expected to be positive, with capacity utilization moving up for the first time in the past year. None of this economic data will impact the bond market as much as the rising risks from the Middle-East and Korea; it's yet to be seen as to the impact these geopolitical risks will have on **consumer confidence** and **consumption**. The strong rebound in China should have a positive impact on the trade deficit, making it less of a drag on domestic growth. All-in-all, it continues to be a mixed bag of data with no change in the trend of the past seven years. That trend is Real GDP growth of 2.1% and inflation of less than 2%. We continue to believe we will break out of the trend with growth accelerating and inflation rising in 2017. The first quarter data will not give us any evidence of that outlook.

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