

THE AUSTIN ADVISOR

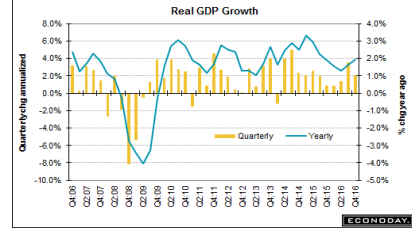
April 24, 2017

Markets	17-Apr	18-Apr	19-Apr	20-Apr	21-Apr	YTD%	30-Dec-16
DJIA	20,636.92	20,523.28	20,404.49	20,578.71	20,547.76	4.13%	19,762.60
S&P 500	2,349.01	2,342.19	2,338.17	2,355.84	2,348.69	5.23%	2,238.83
NASDAQ	5,856.79	5,849.47	5,863.03	5,916.78	5,910.52	9.91%	5,383.12
SNL Bank Index	519.60	515.86	515.17	524.43	520.17	-1.54%	532.65
Fed Funds Rate	0.91%	0.91%	0.91%	0.91%	0.91%		0.55%
1 Month LIBOR	N/A	0.99%	0.99%	0.99%	0.99%		0.77%
3 Month LIBOR	N/A	1.16%	1.16%	1.15%	1.16%		1.00%
3 Month T-Bill	0.83%	0.82%	0.81%	0.79%	0.79%		0.51%
1 Year Treasury	1.04%	1.02%	1.02%	1.01%	0.99%		0.85%
2 Year Treasury	1.21%	1.18%	1.19%	1.21%	1.20%		1.20%
3 Year Treasury	1.42%	1.35%	1.38%	1.41%	1.40%		1.47%
5 Year Treasury	1.79%	1.71%	1.74%	1.78%	1.77%		1.93%
10 Year Treasury	2.26%	2.18%	2.21%	2.24%	2.24%		2.45%
30 Year Treasury	2.92%	2.84%	2.87%	2.89%	2.89%		3.06%

WEEKLY HIGHLIGHT

Geopolitical risks are driving financial markets, not the economic fundamentals

REAL GDP-ADVANCE



Economy	Week of April 17, 2017	
Housing Starts	1.215 million	The weakest reading since November and well below forecasts, but is expected to rebound in coming months
Industrial Production	0.5%	Strong number was function of cold weather in March, causing utility output to jump as manufacturing was 0.04%
Capacity Utilization	76.1%	First reading above 76% in the last year, but it was higher utilization in utility output with the number not inflationary
Leading Indicators	0.4%	While other data softened in the last three months, this index continues to be strong, indicating a strong economy
Existing Home Sales	5.710 Million	This was a blockbuster number with a gain of 4.4% for the month, which now takes inventories down to very low levels

MONDAY MUSING

Bad news in my family last week. My younger cousin is getting a divorce after 35 years of marriage. The trouble started at Christmas when my cousin told this wife he had gotten her gift that goes from 0 to 200 in less than 6 seconds. She went out to the drive way and there was a wrapped present sitting there. She opened it and found a new bathroom scale. He has the same sense of humor as I have but I never have gone there.

Calendar	Release	Covering	Week of April 24, 2017
New Home Sales	Tuesday	March	After a very strong February, growth of 6% and colder weather in March, consensus calls for a drop to 584k from 592k
Consumer Confidence	Thursday	April	Following the huge increases in the past five months, a small retrenchment to 123.5 from 125.6 is expected
Durable Goods Orders	Thursday	March	Orders have been weak so far this year, with gains in aircraft orders masking the weakness in core capital goods, expect 1.1%
Real GDP-Advance	Friday	1st Qtr	A weak first quarter number is expected at 1%, led by a lower PCE number at less than 3% on lower auto sales

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Commentary

We test the theory that recent declines in intermediate and long-term market interest rates are a function of non-economic issues, but rather of geopolitical risks. Congress comes back into session this week with a possible government shut down looming. Congress must pass a spending bill before Friday to avoid shutting down the federal government. There appears to be some reason to believe they will come together and pass a spending bill to avoid this happening. It will rest on whether there is an effort to include things like paying for a wall along our southern border and a renewed effort to repeal the health care program. It sounds like some sanity may come back from the spring break.

The economic fundamentals continue to be mixed. **Housing starts** were below expectations last week, while **existing home sales** were much stronger. Strong sales of existing homes in March brought the inventory of homes on the market to just over a 3 month sales rate. That is an historically low point and sales were higher in March than any time since 2007. With strong demand and low supply of houses, prices should continue to rise and help create even stronger demand this year. This should also feed stronger construction activity. The manufacturing side of the economy was weak, with industrial production up 0.5%, but that was caused by a surge in utility output in the cold month of March. Manufacturing dropped by 0.4% for the month. The market moving data this week will include **Consumer Confidence** and the Advance report for first quarter **Real GDP**. Consumer confidence has had a run of five huge increases fueled by a tight **labor market** and strong job growth. It is expected to keep most of its recent gains at 123.5, down only slightly from the 125.6 reading from March. The Advance report for Real GDP on Friday is expected come in at 1.1%, with **PCE** growth down from the 3.5% rate of the fourth quarter. This is due to lower sales levels for autos after the surge in sales in the second half of last year.

The consensus forecast is half the rate we have been forecasting for the quarter and well below the better than 3% growth we are forecasting for the full year. We do believe the rest of the year will be much stronger than the first quarter growth reports. None of this will be as important to investors than a belief some of the **fiscal policy** proposals are enacted. A tax cut and infrastructure spending program is required to move market interest rates up to the levels we are forecasting. The next month in Washington will provide the answers to the questions of moving away from gridlock. Some consensus needs to come from Congress to move stock prices and interest rates higher.

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