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FINANCIAL FOCUS:

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U.S. markets posted exceptional gains in 2017. It's a sharp change from what many industry experts anticipated at the start of the year. But with the new tax law in place, the overhaul could be a gamble for the U.S. deficit.

By Gabriella Cosentino

Jobs & Consumer Confidence

According to the Bureau of Labor Statistics, the U.S. economy added 148,000 jobs in December, which is fewer than expected. The unemployment rate remained at 4.1%, a 17-year low that supports the Federal Reserve's assertion that the economy is near full employment.

U.S. consumer confidence slid in December, but remained positive about present conditions. Mixed sentiment remained on the state of the labor market.

Optimism among U.S. households was augmented this year by low unemployment, healthy economic growth, and record-breaking gains for the stock market. December was the 87th straight month in which employers hired more people than they fired, extending the longest stretch of job growth on record. The economy created 2.06 million jobs last year.

Housing

Freddie Mac has called the 2017 housing market 'the best year in a decade.' But the new tax law may impact sales activity more than people realize.

Appraising will become an issue, as estimates of up to a 10% drop in most U.S. markets for properties going for more than \$500,000, and up to a 15% drop in higher value markets such as New York. Why? By reducing the interest deduction to mortgages under \$750,000, and limiting the property tax deduction, a major incentive for buying a new home will no longer be part of the tax code.

Commodities

While technology's strength overall was a major contributor to market gains over the course of 2017, commodities also performed well. The dollar sank on the final day of 2017 trading, falling against all other major currencies and clinching its biggest yearly loss since 2003. Expectations for higher interest rates from the Fed failed to give the dollar a lift.

Crude oil futures ended the final day of 2017 trading on an upbeat note, settling at \$60.42 a barrel for the first time in more than 2 years. Oil is up 12.5% for the year, nearly 17% this quarter, and 5.3% for the month of December. Cold weather could support further buying of natural gas and heating oil.

Gold futures jumped, retaking a level above \$1,300 for the first time in about 3 months. Gold closed at \$1,309.30 an ounce, reaching its highest level since September 25th. The metal enjoyed a nearly 14% gain in 2017, with a nearly 2% gain for the quarter and a 2.5% rise in December. The gains come as the broader metals complex rises amid weakness in the U.S. dollar.

Market Overview

Stock indexes closed modestly lower on the final day 2017 trading, in what has been called a stellar record-setting year for U.S. equities.

The Dow Jones Industrial Average advanced 25.1% in 2017, and climbing 10.4% in the final quarter. Clinching its 9th straight monthly gain, the Dow closed at 24,732. The S&P 500 advanced 6.1% for the quarter, and 19.4% for 2017, ending at 2,674. The Nasdaq Composite Index rose 6.3% in the final quarter, advancing 28.3% for the year, ending at 6,903.

What's Ahead?

Recent Republican-led tax cuts are anticipated to give the economy a boost in early 2018 by putting

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more money in the pockets of millions of Americans, and making it cheaper for businesses to invest. If there's any long-term fallout due to larger Federal deficits, it may not be evident soon.

According to the director of economic indicators at The Consumer Conference Board, consumers' expectations remain at historically strong levels, suggesting economic growth will continue well into 2018. Anticipated interest rate hikes should continue in 2018.

Sources: *MarketWatch & The Wall Street Journal*, December 2017; *Business Insider*, December 2017

Numbers Talk

Percentage of jobs robots could potentially steal by 2030...**38**

Number of years the term "artificial intelligence" has been around...**60**

Average life expectancy for men in 1930 when Social Security was designed..**58**

Average life expectancy for women in 1930...**62**

Age a man turning 65 today can expect to live, on average...**84.3**

Age a woman turning 65 today can expect to live, on average...**86.6**

Percentage of women who out-earn their husbands...**38**

Percentage of women being the primary wage earners in U.S. households...**44**

Percentage of wealth women will control by the year 2022...**60**

Percentage of total American population aged 65 and older in 2017...**14.9**

Projected percentage of total American population aged 65 and older in the year 2060...**24**



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