

ECONOMIC/MARKET BRIEF

Employment Growth Leveling; Wage Inflation Ahead?



○ POSITIVES

- January non-farm payroll jobs came in at a solid 227,000 for a pace 50,000 jobs greater than the monthly average reported in 2016
- Inflation data remains tame but continues to trend higher as year-on-year total PCE increased 1.6%
- Consumer spending ended 2016 up 2.5 percent with spending on durable goods, particularly autos, reflecting the biggest gain in consumer spending followed by a 10.2% pop in residential investment
- Manufacturing posted strong gains in January with both the ISM & PMI Manufacturing Indices reporting strength in new orders and increasing input costs in response to demand

○ CHALLENGES

- Even while job growth continues at a relatively strong pace and the unemployment rate of 4.8% is at target, there is still apparent slack in the labor market as wage pressure remains relatively weak at 2.5%
- Consumer spending increased 0.5% in December; however, the increase is likely lower quality spending as a 0.2% decrease in consumer savings likely helped fund the increase

Performance as of January 31, 2017

Index	Month	3 Months	YTD	1 YR	3 YR	5 YR
S&P 500	1.90%	7.76%	1.90%	20.04%	10.85%	14.09%
Dow Jones	0.62%	10.21%	0.62%	23.89%	10.88%	12.28%
Russell MidCap	2.41%	9.16%	2.41%	24.72%	9.50%	13.92%
Russell 2000	0.39%	14.72%	0.39%	33.53%	7.89%	13.00%
MSCI EAFE	2.90%	4.30%	2.90%	12.03%	0.71%	6.04%
MSCI Emg Mkts	5.47%	0.84%	5.47%	25.41%	1.44%	0.19%
Barcap Aggr	0.20%	-2.04%	0.20%	1.45%	2.59%	2.09%

Consumer Spending Backbone for GDP

