

Week Ahead

Corporate earnings continued to flow in last week, with notable companies such as BB&T, Danaher, American Express, Johnson & Johnson, Verizon, and Honeywell all beating expectations. With strong, positive reports on corporate earnings along with what seemed to be progress towards the ever-elusive tax deal, the market continued to push higher, ending the week up over 1.5% with the Dow Jones Industrial Average topping 23000 for the first time. GE continued to disappoint last week with missed earnings despite continued efforts to cut expenses. We continue to believe earnings will deteriorate and the next cost cutting measure will be the dividend. As we are in the midst of earnings season, they will once again be in the forefront. To start of the week, VFC, the manufacturer of North Face and Timberland, beat on both the top and bottom-line, which bodes well for the consumer environment.

For the first time since the Cold War ended in 1991, the US has put 24-hour notice on nuclear bombers as geopolitical tensions continue to rise. This news would presumably cause the market to pause, but pre-opening futures are once again pointing higher as this bull market continues to climb a wall of worry.

Equity markets are not the only asset class that has seen a move over the past few months, as U.S. yields have continued to tick higher. The fixed income market seems to be gearing up for the Fed to start their reduction of the balance sheet, which could begin to take place in the next few weeks. Moreover, the expectation of another rate hike continues to push yields higher. We feel as though the Fed continues to go against their principle of being data dependent when inflation in the U.S. has continued to run below the 2% threshold. Instead, the focus has shifted to include what the U.S. equity markets are doing. We still believe rates will remain relatively low and stay inside of our top range of 2.7%.

Major Earnings Announcements for the Week:

Monday: Halliburton, Hasbro, Illinois Tool Works, Kimberly-Clark, State Street & VF Corp

After Close

Whirlpool & Zions Bancorp

Tuesday: 3M, Biogen, Caterpillar, Eli Lilly, Fifth Third, GM, Lockheed Martin, McDonalds, Pentair, Regions Financial, Sherwin-Williams, Stanley Black & Decker, United Technologies, Waters Corp & Ameriprise

After Close

AT&T, Capital One, Chipotle, Discover Financial, Express Scripts, Texas Instruments & Total Systems

Wednesday: Anthem, Baxter, Boeing, General Dynamics, Hess, Ingersoll-Rand, International Paper, Nasdaq, Norfolk Southern, Visa & Walgreens

After Close

Aflac, Duke, Equifax, O'Reilly, Packaging Corp, Raymond James, Realty Income & Tractor Supply

Thursday: Air Products, Altria, American Airlines, American Electric Power, BorgWarner, Boston Scientific, Bristol-Meyor Squibb, Celgene, Comcast, ConocoPhillips, Ford, Hershey, Hilton, Invesco, Marathon Petroleum, Marsh & McLennan, McKesson, Newmont Mining, NextEra Energy, Praxair, Raytheon, S&P Global, Southwest Airlines, T Rowe Price, Union Pacific Corp, United Parcel Service, Valero Energy, Waste Management & Xerox

After Close

Alphabet, Amazon.com, Arthur J Gallagher, Baidu, Chubb, Cincinnati Financial, Eastman Chemical, Expedia, Flowserve, Gilead, Hartford Financial, Intel, Leggett & Platt, Mattel, Microsoft, National Oilwell Varco, Stryker, Verisign, Western Digital & Wynn Resorts

Friday: AbbVie, AON, Cabot Oil & Gas, Chevron, Colgate-Palmolive, Exxon Mobil, Goodyear Tire, LyondellBasell, Merck, Phillips 66, Rockwell Collins & Weyerhaeuser

Economic Calendar/ Market Moving Events:

Tuesday: Markit US Manufacturing PMI – 9:45 AM
Markit US Services PMI – 9:45 AM
Richmond Fed Manufacturing Index – 10:00 AM

Wednesday: Durable Goods – 8:30 AM
FHFA House Price Index – 9:00 AM
New Home Sales – 10:00 AM
DOE US Crude Oil Inventories – 10:30 AM

Thursday: Wholesale Inventories MoM – 8:30 AM
Pending Home Sales MoM – 10:00 AM
Kansas City Fed Manufacturing Activity – 11:00 AM

Friday: GDP Annualized QoQ – 8:30 AM
University of Michigan Sentiment – 10:00 AM
Oil Rig Count – 1:00 PM