

# Weekly Market Guide

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**Commentary:** A holiday-shortened week for many markets around the globe with the U.S. markets closing early on Thursday and all day on Friday. With the quiet week for economic releases, markets will likely continue to digest the Federal Reserve's (Fed's) interest rate increase along with the cross-currents of global economic headwinds and commodity weakness. While both PNC and the Fed expect future rate increases to be gradual, the median Fed forecast calls for four increases and PNC expects just three additional increases in 2016, all at 25 basis points (bps) or 0.25% each. Since the market is discounting a slower pace of hikes than the Fed, this may continue to drive financial market volatility. Please see our December *Investment Outlook, The End of an Era: 2016 Outlook Part I* for more about how markets typically react when tightening cycles begin. This week in U.S. economic data, third-quarter GDP is expected to be revised slightly lower to 1.9%. In other data, November personal income is forecast at 0.2%, while personal spending could accelerate to 0.3% growth. November existing home sales are forecast approximately flat with the prior month, while new home sales could grow at a 2.0% pace. December Eurozone consumer confidence should hold steady with last month. The central bank of Turkey meets and is widely expected to hike monetary policy rates. Spain held elections over the weekend and will be attempting to form a coalition government. Data out of Japan includes several indicators including consumer inflation and an update on the labor market. Please see our Weekly Chart where we discuss the "Santa Claus rally" effect on financial markets.

**Week in Review:** The S&P 500® ended a volatile week just slightly lower but ended on a sour note; the dollar was higher and oil, along with commodities, in general were lower. High-yield bonds seemed to stabilize, but the Chinese yuan continued to decline against the dollar. The most anticipated market event of 2015 came to pass last Wednesday when the Fed raised interest rates for the first time since 2006 and the first change since zero-interest-rate policy began in 2008. The Fed increased the federal funds target rate by 25 bps. Preceding the Fed, the Consumer Price Index (CPI) data was released, at 0.0% year on year. Excluding food and energy, core CPI was 2.0%. Housing data surprised on the upside with both starts and building permits jumping. December Markit Eurozone Manufacturing PMI® strengthened more than expected, to 53.1 versus 52.8 last month. The Bank of Japan announced some minor adjustments to its asset purchase plan which disappointed the markets.

Domestic Equities							Economic Data		Consensus	Previous
	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)				
<b>S&amp;P 500</b>	-0.34	-2.59	-3.14	16.84	16.94	2.12	12/21 GE PPI (y/y)	-2.4%	-2.3%	
<b>S&amp;P 500 Growth</b>	-0.50	2.05	1.21	19.58	18.79	1.65	12/21 EC Consumer Confidence	-5.9	-5.9	
<b>S&amp;P 500 Value</b>	-0.15	-7.59	-7.87	14.43	15.16	2.68	12/21 UK GfK Consumer Confidence	1.0	1.0	
<b>S&amp;P Mid-Cap 400</b>	-1.00	-5.31	-5.14	18.17	17.46	1.65	12/22 GE Import Price Index (m/m)	-0.2%	-0.3%	
<b>S&amp;P Small-Cap 600</b>	-0.51	-4.66	-3.33	18.96	19.24	1.48	12/22 US 3Q GDP (3rd est., q/q annualized)	1.9%	2.1%	
<b>FTSE NAREIT Equity</b>	1.47	-2.83	-3.00	-	-	3.87	12/22 US Existing Home Sales (m/m)	-0.3%	-3.4%	
							12/22 US FHFA House Price Index (m/m)	0.5%	0.8%	
							12/22 GE GfK Consumer Confidence	9.3	9.3	
							12/23 US Personal Income	0.2%	0.4%	
							12/23 US Personal Spending	0.3%	0.1%	
							12/23 US Durable Goods Orders	-0.6%	2.9%	
							12/23 US New Home Sales (m/m)	2.0%	10.7%	
							12/23 US U. Michigan Sentiment	92.0	91.8	
							12/23 FR Consumer Spending (m/m)	0.1%	-0.7%	
							12/23 IT Retail Sales (m/m)	0.3%	-0.1%	
							12/23 CA GDP (y/y)	0.0%	0.0%	
							12/24 US Jobless Claims	270k	271k	
							12/24 JN Jobless Rate	3.2%	3.1%	
							12/24 JN CPI (y/y)	0.3%	0.3%	
							12/24 JN PPI Services (y/y)	0.4%	0.5%	

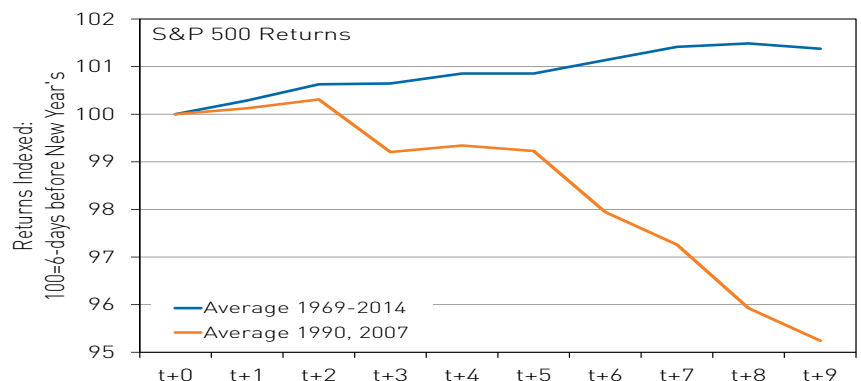
  

Global Equities						
	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)
<b>World</b>	0.68	-3.58	-3.56	15.59	16.41	2.28
<b>MSCI EAFE</b>	-0.17	-4.94	-4.53	18.74	15.23	3.31
<b>MSCI EM</b>	2.09	-17.42	-15.55	13.49	12.33	2.98
<b>Developed</b>						
<b>Japan</b>	-1.06	8.69	8.22	14.78	16.30	1.74
<b>U.K.</b>	-0.62	-8.44	-8.16	16.13	15.91	3.44
<b>Germany</b>	0.99	-1.83	-2.85	14.37	15.38	2.53
<b>Canada</b>	0.44	-25.81	-24.91	14.51	18.26	3.40
<b>Emerging</b>						
<b>China</b>	5.58	38.20	35.54	31.04	27.45	0.76
<b>South Korea</b>	1.15	-3.00	-3.28	10.80	11.78	1.18
<b>EMEA</b>	4.16	-13.58	-7.36	10.25	10.36	0.00
<b>Latin America</b>	-0.99	-32.49	-31.85	13.09	14.96	2.83

	Last wk price	Last wk rtn (%)	YTD (%)	52-wk (%)
<b>DJ/UBS</b>	77.3	-0.80	-25.76	-28.72
<b>HFRX Macro</b>	1180.6	0.65	-1.04	-0.13
<b>TIPS Index</b>	277.0	-0.47	-1.69	-1.86
<b>Rates</b>				
	Friday Close (%)	3-mo ago (%)	6-mo ago (%)	12-mo ago (%)
<b>Fed Funds</b>	0.37	0.14	0.14	0.13
<b>Prime</b>	3.25	3.25	3.25	3.25
<b>2-yr Treas</b>	0.97	0.69	0.66	0.67
<b>10-yr Treas</b>	2.19	2.13	2.35	2.22
<b>30-yr Mgt</b>	3.82	3.83	3.99	4.12
<b>IG Yield</b>	3.63	3.38	3.33	3.26
<b>HY Corp</b>	9.05	7.55	6.69	7.13
<b>Currencies/Commodities/Volatility</b>				
<b>\$ Index</b>	98.70	83.60	94.09	89.24
<b>\$ per €</b>	1.08	1.14	1.14	1.23
<b>\$ per £</b>	1.49	1.56	1.59	1.56
<b>¥ per \$</b>	121.52	119.96	122.99	118.85
<b>Gold</b>	1065.00	1137.80	1202.00	1194.80
<b>Crude Oil</b>	34.72	44.71	60.41	54.19
<b>VIX</b>	20.70	22.28	13.19	16.81

## PNC's WEEKLY CHART

In the trading days between Christmas and New Year's, the S&P 500® generally trades higher, netting abnormally high returns, widely coined a "Santa Claus rally." According to the *2016 Stock Trader's Almanac*, since 1969 the Santa Claus rally has yielded positive returns in 34 of the past 45 holiday seasons—the last five trading days of the year and the first two trading days after New Year's. The average cumulative return over these days is 1.4%, and returns are positive in each of the seven days of the rally, on average. Nevertheless, each year there is at least one day of declines. For further discussion, see our December 2015 Topical Commentary, *Santa Claus Rally: Will We Hear Holiday Cheers or Bah, Humbugs?*



Data as of 12/18/2015. Please see reverse side for important disclosures.

Source: Bloomberg L.P., PNC



Sources: FactSet Research Systems, Dow Jones UBS Index, Barclays Capital, Bankrate.com, Chicago Board Options Exchange, Bloomberg, Bank of America/ Merrill Lynch, HFR Asset Management, LLC, MSCI

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