

U.S. equities struggle for direction to close out a solid year

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Article Highlights

- The S&P 500 Index is poised to advance for the eighth consecutive year, outpacing both European and Japanese stocks.
- The 10-year U.S. Treasury yield edges lower, while the 2-year yield rises modestly.
- The few U.S. data releases are mostly positive.

Equity and fixed-income markets

Global equity markets were mixed during the holiday-shortened week. The S&P 500 Index got off to a good start on the back of strong consumer confidence data before giving ground over the next two days. With a gain of about 12% for the year to date through December 28, the index is on track to register its eighth consecutive one-year advance.

Overseas, Europe's broad STOXX 600 Index slipped after reaching a fresh 2016 high, while Japan's Nikkei 225 Index posted a modest loss. For the year through December 28, these indexes have lagged the S&P 500 in both local (+1.6% and +0.6% for the STOXX 600 and Nikkei 225, respectively) and U.S. dollar (-2.0% and +3.6%) terms.

In U.S. fixed-income markets, the yield on the bellwether 10-year U.S. Treasury note, which moves in the opposite direction of its price, was edging downward on thin trading volume. The yield on the 2-year note was up slightly but remained below its December 15 close of 1.29%, a more than seven-year high.

Current updates to the week's market results are available [here](#).

U.S. data releases are mostly positive

This week was light in terms of U.S. economic reports.

- The Conference Board's index of **consumer confidence** rose in December to its highest level since August 2001. While the reading plunged for households run by someone under 35, it surged for households headed by someone over 55. Interestingly, the rise in the reading since October has occurred across all income groups.

- A pickup in mortgage rates—largely the result of higher interest rates overall—hurt **pending home sales**, which dipped 2.5% in November. Tight supply also contributed to the decline
- **Home prices**, however, climbed 0.6% in October and 5.1% compared to a year ago, according to the S&P/Case-Shiller 20-City Composite Index.
- **First-time unemployment claims** fell by 10,000, to 265,000, as did the less-volatile four-week average, by 750, to 263,000.

A number of closely watched releases, including the December payrolls report and unemployment rate, are scheduled for the week of January 2 and have the potential to move markets in what should be heavier post-holiday trading.

The next Weekly Market Update will be published on Friday, January 6, 2017.



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