

*ECONOMIC OUTLOOK*

- ◆ The U.S. economy's pace of growth in the third quarter was raised to 3.3% from 3% under the government's latest revision to gross domestic product. The government's advanced report on wholesale inventories showed a 0.4% decline in October, while retail inventories slipped 0.1%. This trend indicates rising consumption. The U.S. exported far less food and livestock feed in October and overseas shipments of capital goods and autos also fell. Contributing to stronger GDP was public spending. Government outlays were revised from a small decline to a mild increase. The rate of consumer spending, however, was barely changed at a still-solid 2.3%. The U.S. has topped 3% growth for two quarters in a row and the economy is poised to make it three for the first time since 2004-2005.
- ◆ The news on the economy had previously been good, but it just got better. As labor markets have tightened and the availability of skilled labor has diminished, businesses appear to be looking to upgrade equipment to improve productivity. Consumer confidence is at a 17-year high, unemployment is at a 17-year low and businesses are flush with cash amid improving profits. Banks and other financial companies are doing especially well as they have accounted for two-thirds of the increase in third-quarter U.S. corporate profits. If Congress comes through with major tax cuts, businesses could get another jolt of adrenaline in 2018.
- ◆ A top Federal Reserve official said that he sees a reasonable case to raise short-term interest rates this month, and that any new fiscal stimulus approved by lawmakers in Washington could shape the central bank's expectations for additional rate increases in 2018. New York Fed President William Dudley said in an interview that any effort to make the tax code less complex "makes sense." But with the economy expanding solidly and the unemployment rate at a low level of 4.1%, Fed policy makers will be watching closely to see whether any tax changes might cause the economy to overheat.
- ◆ Consumer confidence surged yet again in November, with the index jumping to 129.5 from 125.9 in October. That's the highest reading since November 2000 and easily exceeded the 124.8 forecast of economists polled by Dow Jones. Americans ramped up spending in the early fall, and there's little sign it will let up ahead of Christmas spending. Some of the increase in spending in October was on necessities such as prescription drugs, but Americans also spent more on recreational goods and plane fares for foreign travel. Both are signs of confidence in the economy.
- ◆ An early look at U.S. trade patterns in October points to sharper-than-expected increase in the nation's trade deficit at the start of the fourth quarter. Export growth was lowered slightly to 2.2%. The trade deficit in goods jumped 6.5% to \$68.3 billion, according to a government's report. That was much larger than the \$65 billion estimate of polled economists. The surprisingly larger increase in the October trade deficit could be a drag on fourth-quarter GDP unless it's reversed in the final two months of the year. "Unexpectedly bad, but one month is not a trend," said Ian Shepherdson, chief economist of Pantheon Economics. A larger deficit can be a negative for U.S. economic growth.

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**INVESTMENT REVIEW**

- ◆ In November, particularly in the final trading days of the month, investors bid stocks higher on hopes that tax reform legislation would be passed in Washington. On a total-return basis including dividends, the S&P 500 benchmark index rose 2.2% over the course of November, extending its string of monthly advances to a record 13. Over the entire 13-month period, the benchmark index rose 26.3% on a total-return basis. The previous streak, according to Dow Jones data, was a 10-month rally that ended in September 1995. The Dow Jones Industrial Average rose 3.8% in November, closing out its eighth straight positive month, its longest such streak since 1995, according to FactSet. The Nasdaq Composite notched an impressive +2.5% month.
- ◆ If history is any indication, the S&P's record-setting streak could continue, as December is typically a strong month. According to the Stock Trader's Almanac, December is historically the strongest month of the year, with an average gain of 1.6%, based on data going back to 1950.

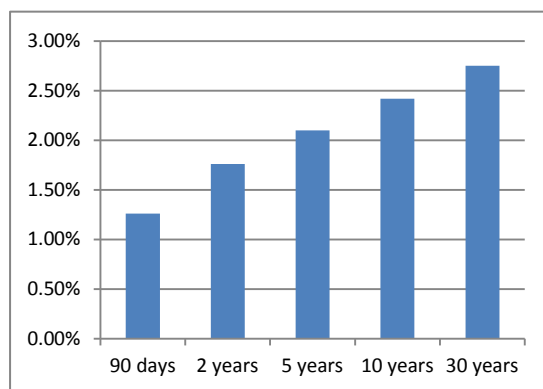
**KEY INVESTMENT STATISTICS**

	11/30/17	12 Month High	12 Month Low	YTD Price Return
Dow Jones Industrial Average	24,272	24,272	19,191	22.8%
Nasdaq Composite	6,874	6,874	5,251	29.0%
S & P 500 Stock Index	2,648	2,648	2,191	20.5%

2016 Operating EPS Estimate	\$131
P/E on 2016 EPS	20.2x
2017 Operating EPS Estimate	\$146
P/E on 2017 EPS	18.1x
Dividend Yield	1.83%

Yields on U.S. Treasury Obligations	
90 days	1.26%
2 years	1.76%
5 years	2.10%
10 years	2.42%
30 years	2.75%

**U.S. Treasury Yields**



CPI: Trailing 12 Months (DoL)	2.0%		
Crude Oil: Price Per Barrel (WTI)	\$57	\$59	\$43
Gold: Price Per Ounce (spot)	\$1,273	\$1,349	\$1,128
Natural Gas: Price per MM Btu (spot)	\$3.03	\$3.93	\$2.57

Sources: Bloomberg LLC, US Commerce Dept., Bureau of Labor Statistics, Dow Jones Inc. MarketWatch, Standard & Poors, Federal Reserve Bank, FactSet

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