

Market Week in Review



<https://www.youtube.com/watch?v=oVNielHX9egIRmqowym2bE>

Trump rally on pause? Global markets react

MARCH 24, 2017 | By [Erik Ristuben](#)

In this week's video update:

- U.S. healthcare regulation changes promised by the Republican party (GOP) faces an uphill battle this week, dampening market expectations of GOP tax reform.
- Fallout from recent political challenges for the GOP has impacted both bonds and the U.S. dollar this week, showing a potential pause the year's early U.S. market rally.
- MSCI EAFE Index and MSCI Emerging Markets Index both show strong growth as U.S. markets slow, up 170 basis points and 12.5% year-to-date respectively compared to the Russell 1000® Index.

In this week's episode of Market Week in Review, Chief Investment Strategist **Erik Ristuben** is joined by **Rob Cittadini**, regional director, consultant relations.

The U.S. political system: healthcare legislation fallout and potential tax reform delays

Diving into the big political news of the week and its fallout in U.S. markets, Ristuben discusses the challenge to make change happen in a U.S. democracy and how that can impact market expectations. He notes that markets seem to have paused on the recent "Trump rally," as many seem to be concerned that U.S. Congress and the President will

continue to focus on healthcare this year and not get to tax reform, as many had originally hoped earlier this year.

The slowdown in potential reforms has shown in the U.S. bond markets and the value of the U.S. Dollar, which has been declining since the start of 2017. In addition, Ristuben notes interest rates have begun to drop.

Global markets react to U.S. market shifts

In contrast to this slowdown in U.S. markets, European and emerging markets (EM) seem to be doing well. This week's Market European Composite purchasing manager index (PMI) showed solid numbers hinting at a potential European economic boom, that is still just 2%, but an improvement over recent years. The German numbers showed the strongest growth in six years.

Considering such numbers and what we have seen as a positive move in the European earnings cycle, with stocks being attractively priced, Russell Investments' strategists are currently overweight in Europe and underweight in the U.S.

Moreover, Ristuben points out that, in general, other developed markets are outperforming the U.S. For example, as of today, the MSCI EAFE Index is outperforming the Russell 1000 Index on a year-to-date basis by 170 basis points and the Russell Emerging Market Index is also up by about 12.5% – about 7% higher than the U.S. market, as measured by the Russell 1000 Index.

CORP-11025