



Week In Review

February 9, 2018

Equities

As of noon on Friday, the S&P 500 Index had fallen over 7.5% for the week and over 11% since its January 26 high. Market participants cited rising interest rates, the potential for increased inflation, and concern over rapidly increasing U.S. budget deficits as reasons for the market's decline.

Our Take: In the long run, economic fundamentals determine market prices. The short run, however, can be volatile. Whether this week's rout is simply a correction or the start of a protracted downturn is anyone's guess. Stay tuned.

Municipals

The budget deal signed into law by President Trump on Friday morning includes additional disaster relief for Puerto Rico and the U.S. Virgin Islands (USVI), which are still struggling after Hurricane Maria. Puerto Rico and the USVI are expected to receive \$4.8 billion for Medicare along with \$2 billion for Puerto Rico's energy infrastructure improvements. The Puerto Rico Electric Power Authority, PREPA, continues to work to restore power to customers affected by hurricane damage.

Our Take: Puerto Rico had asked the U.S. government for more funds than what was allocated in this week's budget. It was reported that Puerto Rico had requested \$17 billion for the power grid. The funds allocated to Puerto Rico and the USVI will be given directly to their governments, not to FEMA or other agencies. It will be the responsibility of Puerto Rico and the USVI to use the funds wisely and work to improve their infrastructure.

—There is no additional Week In Review detail for this page.—

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