**Headlines Summary:** Stocks made new all-time highs last week as lower than expected damages from the hurricanes and better economic data supported equity investors’ sentiment, despite further provocations from North Korea. While last week’s U.S. data was negatively impacted by the hurricanes, history shows that economic growth should rebound in the fourth quarter as rebuilding takes place. The OECD Composite Leading Indicators came out last week and confirmed the positive signals from the global business surveys and global stocks themselves. We continue to favor stocks with Health Care, Financials, Industrials, and Energy our favorite sectors.

**U.S. Economic News: Retail Sales, Industrial Production, and Jobless Claims Are Negatively Impacted by Hurricanes.**
- NFIB Small Business Optimism remains close to highest levels since 12/04.
- Duke CFO business outlook remains close to the highest levels since 2007.
- Number of job openings rose to a record high of 6.17 million.
- Retail sales fell 0.2% (up 3.2% y/y) on lower car sales.
- Initial jobless claims fell to 284,000 with the four-week average rising to 263,250. Initial claims are being impacted by the hurricanes.
- Consumer prices rose 0.4% (1.9% y/y) on higher gasoline and shelter costs.
- Industrial production fell 0.9% due to Hurricane Harvey.

**Economic Data Conclusion:** Although major government policy hasn’t changed, business optimism remains high, as domestic demand remains strong. The number of unemployed per job opening fell to 1.13, its lowest level since January 2001, indicating that the labor market has tightened significantly. Retail sales, industrial production, and consumer sentiment were negatively impacted by the hurricanes. Given the timing of the storms, the impact will linger through September, but we expect a rebound in economic activity in Q4.

**Global Conditions: OECD Leading Indicators Confirm the Positive News We Are Seeing From Other Important Global Indicators.**
- The global OECD Composite Leading Indicator (CLI) rose 0.11 points in July, the largest gain since November 2010, to 100.2, its highest level since October 2014. It was the 17th straight gain in the CLI and the third straight month it’s been above its long-term average of 100. The index is up 0.72 points from its year-ago level, the largest gain since January 2011.
- Breadth among the individual country OECD indicators shows that growth trends remain broad, indicating a healthy global expansion. The share of CLIs above their long-term average of 100 jumped to 75%, its highest level in over six years. More than 70% of countries report better conditions compared to a year ago, matching the highest share since March 2014.
- This positive news confirms the data we are seeing from other important global indicators and supports our overweight of stocks.

**We Liked the Home Improvement Industry Before the Storms and Like It Even More Afterward.**
- We have been favorable on the home improvement retail group (HIR) for years as part of our bullish thesis on housing.
- Meanwhile, HIR stocks have had a minimal response to the hurricanes as the market tries to figure out the earnings impact.
- Reconstruction is displacing renovation demand, which will drive near-term sales higher. The price of lumber is the usual leading indicator for sales growth in HIR and it is reaching five-year highs. While higher prices also mean that some renovation demand may be destroyed, surging mortgage applications should keep renovation demand intact.
- The HIR space was performing well before the hurricanes, with rising sales and efficiency driving margins higher. This is not reflected in valuations, which are touching ten-year lows.