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Market Week: July 3, 2017

The Markets (as of market close June 30, 2017)

Last week was not a positive one for equity investors. In a week of heavy trading, the Dow and S&P 500 each lost value while the Nasdaq dropped nearly 2.0%. Of the indexes listed here, only the Russell 2000 and the Global Dow didn't lose ground, eking out minuscule gains. News that the Bank of England is considering an interest rate hike, coupled with word that the European Central Bank may be scaling back its long run of quantitative easing, may have prompted investor activity. Long-term bond yields also shot up, with the 10-year Treasuries climbing 16 basis points as bond prices fell. A small increase in oil prices helped lift energy stocks higher.

The price of crude oil (WTI) closed at $46.33 per barrel, up from the prior week's closing price of $43.15 per barrel. The price of gold (COMEX) decreased last week, closing at $1,241.40 by late Friday afternoon, down from the prior week's price of $1,257.40. The national average retail regular gasoline price decreased to $2.288 per gallon on June 26, 2017, $0.030 lower than the prior week's price and $0.041 less than a year ago.

Market/Index	2016 Close	Prior Week	As of 6/30	Weekly Change	YTD Change
DJIA	19762.60	21394.76	21349.63	-0.21%	8.03%
Nasdaq	5383.12	6265.25	6140.42	-1.99%	14.07%
S&P 500	2238.83	2438.30	2423.41	-0.61%	8.24%
Russell 2000	1357.13	1414.78	1415.36	0.04%	4.29%
Global Dow	2528.21	2769.05	2769.39	0.01%	9.54%
Fed. Funds target rate	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
10-year Treasuries	2.44%	2.14%	2.30%	16 bps	-14 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Headlines

- The final report on the first-quarter gross domestic product showed growth improved marginally, but it is still relatively weak compared to the fourth quarter. The GDP increased at an annual rate of 1.4% in the first quarter of 2017, according to the third and final estimate released by the Bureau of Economic Analysis. The second estimate released in May estimated the GDP growing at a rate of 1.2%. In the fourth quarter of 2016, the GDP increased 2.1%. The deceleration in the GDP in the first quarter reflected a downturn in private inventory investment, a deceleration in personal consumption expenditures (consumer spending), and a downturn in state and local government spending that were partly offset by an upturn in exports, an acceleration in nonresidential (business) fixed investment, and a deceleration in imports. Gross domestic income grew 1.0% in the first quarter, in contrast to a decrease of 1.4% in the fourth quarter.

Key Dates/Data Releases

7/3: PMI Manufacturing Index, ISM Manufacturing Index

7/6: International trade

7/7: Employment situation

- Consumers did more saving than spending in May, according to the Bureau of Economic Analysis. Personal income increased $67.1 billion, or 0.4%, in May, while disposable (after-tax) income jumped $71.7 billion, or 0.5%. However, personal consumption expenditures (consumer spending) rose a scant $7.3 billion, or 0.1%. The increase wasn't attributable to wages and salaries (+0.1%), but reflected increases in dividend income, personal income transfers (generally to savings, which rose 0.4%), and proprietors' income. Core prices, less food and energy, increased 0.1% and are up a marginal 1.4% year-on-year. While this report is not necessarily negative, it is in line with other economic indicators, which show inflation in particular, and the economy in general, slowed in May.
- The manufacturing sector may be weakening after new orders for long-lasting goods fell for the second consecutive month. New orders for durable goods fell $2.5 billion, or 1.1%, in May, following a 0.9% decrease in April. The drop in new orders is the largest monthly decrease in 6 months. Excluding transportation, new orders increased a marginal 0.1% for the month. Shipments of manufactured durable goods in May, up following two consecutive monthly decreases, increased $1.8 billion, or 0.8%, to $234.9 billion. Unfilled orders for manufactured durable goods in May, down following two consecutive monthly increases, decreased $2.3 billion, or 0.2%, to $1,120.1 billion. Inventories of manufactured durable goods in May, up 10 of the last 11 months, increased $0.7 billion, or 0.2%, to $395.4 billion.
- An uptick in consumer exports helped narrow the trade deficit in May, according to the Census Bureau. The international trade deficit was $65.9 billion in May, down $1.2 billion from $67.1 billion in April. Exports of goods for May were $127.1 billion, $0.5 billion more than April exports. Imports of goods for May were $193.0 billion, $0.8 billion less than April imports.
- The Conference Board Consumer Confidence Index®, which had fallen in May, increased somewhat in June. The index rose to 118.9 for June, up from May's 117.6 reading. Consumers remained upbeat about current economic conditions, but were less enthusiastic about the short-term outlook, as the Expectations Index declined from 102.3 in May to 100.6 in June.
- Respondents in the University of Michigan's Surveys of Consumers seemed to follow consumers' sentiments from The Conference Board's report. The Index of Consumer Sentiment dropped in June to 95.1 from 97.1 in May. Consumers viewed current economic conditions favorably, as that index increased from 111.7 to 112.5. However, the Index of Consumer Expectations decreased from 87.7 to 83.9 — an indication that consumers aren't too sure about the future of the economy.
- In the week ended June 24, the advance figure for seasonally adjusted initial claims was 244,000, an increase of 2,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 241,000 to 242,000. The advance seasonally adjusted insured unemployment rate remained 1.4% for the week ended June 17, unchanged from the previous week's unrevised rate. During the week ended June 17, there were 1,948,000 receiving unemployment insurance, an increase of 6,000 from the previous week's revised level. The previous week's level was revised down by 2,000 from 1,944,000 to 1,942,000.

Eye on the Week Ahead

Trading should be slower during the holiday-shortened week. The June employment report is released at week's end. The unemployment rate has fallen over the past few months, but so has the number of new hires. Wage inflation has been moderate at best and isn't expected to pick up steam any time soon.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

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