



Market Week: July 31, 2017

The Markets (as of market close July 28, 2017)

Of the benchmark indexes listed here, only the Dow and the Global Dow posted gains last week. The remaining indexes closed the week modestly lower, despite a rise in energy stocks following Saudi Arabia's promise to cut back oil production. Technology shares fell, which hampered both the Nasdaq and S&P 500. Quarterly earnings reports from large U.S. companies contributed to the Dow's gains last week. While the Federal Reserve held interest rates at their current levels, it did reveal its intention to reduce its holdings of mortgage-backed securities and Treasuries relatively soon, which could push long-term interest rates higher.

The price of crude oil (WTI) closed at \$49.79 per barrel, up from the prior week's closing price of \$45.60 per barrel. The price of gold (COMEX) closed last week at \$1,275.60 by late Friday afternoon, \$14.50 ahead of the prior week's price of \$1,261.10. The national average retail regular gasoline price rose to \$2.312 per gallon on July 24, 2017, \$0.034 higher than the previous week's price and \$0.130 higher than a year ago.

Market/Index	2016 Close	Prior Week	As of 7/28	Weekly Change	YTD Change
DJIA	19762.60	21580.07	21830.31	1.16%	10.46%
Nasdaq	5383.12	6387.75	6374.68	-0.20%	18.42%
S&P 500	2238.83	2472.54	2472.10	-0.02%	10.42%
Russell 2000	1357.13	1435.84	1429.26	-0.46%	5.31%
Global Dow	2528.21	2833.20	2849.54	0.58%	12.71%
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%	2.23%	2.29%	6 bps	-15 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 Economic Headlines

- Slowing inflation was the primary reason the Federal Open Market Committee decided to keep the target range for the federal funds rate at its current 1.00%-1.25% range following last week's meeting. The Committee noted that the labor market has continued to strengthen and household spending and business fixed investment have continued to expand. However, overall inflation has declined, while wage inflation has remained low. The FOMC does not meet again until September.
- The initial (advance) estimate of the gross domestic product showed the second-quarter economy grew at a healthy annual rate of 2.6%. In the first quarter, the GDP increased 1.2%. The acceleration in GDP growth in the second quarter reflected a smaller decrease in private inventory investment, an acceleration in personal consumption expenditures, and an upturn in federal government spending. These movements were partly offset by a downturn in residential fixed investment and decelerations in exports and in nonresidential fixed investment. Disposable personal income increased \$122.1 billion, or



Key Dates/Data Releases

8/1: Personal income and outlays, PMI Manufacturing Index, ISM Manufacturing Index

8/3: ISM Non-Manufacturing Index

8/4: Employment situation, international trade

3.5%, in the second quarter, compared with an increase of \$176.3 billion, or 5.1%, in the first quarter (revised). It's important to note that the initial estimate of the GDP is based on source data that is incomplete and subject to revision.

- Good news for domestic manufacturers as new orders for long-lasting goods increased \$14.9 billion, or 6.5%, in June. This increase follows two consecutive monthly decreases. However, the gain in new orders is attributable, in large part, to transportation, particularly aircraft. New orders excluding transportation increased only 0.2%. Shipments of manufactured durable goods in June, down three of the last four months, decreased \$0.1 billion to \$236.0 billion. This followed a 1.2% May increase. Unfilled orders for manufactured durable goods in June, up three of the last four months, increased \$14.2 billion, or 1.3%, to \$1,135.6 billion. This followed a 0.1% May decrease. Inventories continued to build, increasing \$1.6 billion, or 0.4%.
- Following a surge in May, sales of existing homes fell 1.8% in June. Despite last month's decline, June's sales pace (5.52 million) is 0.7% above a year ago, but is the second lowest of 2017 (February, 5.47 million). The demand for existing housing remains strong, but a dearth of supply and climbing prices have kept interested buyers at bay. Total housing inventory at the end of June declined 0.5% to 1.96 million existing homes available for sale — 7.1% lower than a year ago. Unsold inventory is at a 4.3-month supply at the current sales pace, which is down from 4.6 months a year ago. The median existing-home price for all housing types (single family, condos, townhouses, and co-ops) in June was \$263,800, up 6.5% from June 2016 (\$247,600). June's median sales price surpassed May as the new peak after registering the 64th straight month of year-over-year gains.
- Sales of new single-family homes were only marginally better in June than existing home sales. New single-family home sales were at a seasonally adjusted annual rate of 610,000 — 0.8% above the revised May rate of 605,000 and 9.1% above the June 2016 estimate of 559,000. The median and average sales prices decreased in June from May. The median sales price of new homes sold was \$310,800 (\$324,300 in May). The average sales price was \$379,500 (\$381,400 in May). The seasonally adjusted estimate of new houses for sale at the end of June was 272,000, which represents a supply of 5.4 months at the current sales rate.
- The trade deficit decreased in June. The international trade deficit was \$63.9 billion in June, down \$2.5 billion from May. Exports of goods for June were \$128.6 billion, \$1.8 billion more than May exports. Imports of goods for June were \$192.4 billion, \$0.7 billion less than May imports.
- The Conference Board Consumer Confidence Index® rose to 121.1 in July, up from 117.3 in June. Surveyed consumers expressed growing optimism in the present state of the economy and the short-term outlook. On the other hand, the University of Michigan's Surveys of Consumers had consumer sentiment fall from 95.1 in June to 93.4 in July. This is still 3.8% higher than the reading from July 2016. Survey respondents were bullish about current economic conditions, but not so optimistic concerning future prospects for the economy.
- In the week ended July 22, the advance figure for seasonally adjusted initial claims for unemployment insurance was 244,000, an increase of 10,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 233,000 to 234,000. The advance seasonally adjusted insured unemployment rate remained 1.4%, unchanged from the previous week's unrevised rate. During the week ended July 15, there were 1,964,000 receiving unemployment insurance benefits, a decrease of 13,000 from the previous week's unrevised level.

Eye on the Week Ahead

Two important economic reports are out this week: personal income and outlays and the employment situation. The FOMC relies on the price index of the personal income and outlays report as an indicator of inflationary trends. On the employment front, June's report was mixed — as new hires increased, while wage growth was marginal at best. July's employment report is not expected to change much.

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.

IMPORTANT DISCLOSURES

The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.