Weekly Market Update

General Market News

- The yield on the 10-year Treasury slowly ground its way back to 2.22 percent last week before selling off on Friday. It opened early Monday at 2.27 percent. The 30-year yield behaved similarly over the past week, moving back to 2.79 percent on Friday before opening at 2.84 percent on Monday. The 2-year yield stayed in the tight range of 1.34 percent to 1.35 percent over the past seven days.
- The U.S. markets were mixed last week. The Dow Jones Industrial Average led the way, posting a 1.22-percent gain as it cleared the 22,000 level. The Nasdaq Composite lagged, posting a weekly loss of 0.34 percent. The S&P 500 Index fell between the two, ticking up by 0.23 percent. The U.S. dollar weakened last week as the euro reached an 18-month high. This move provided support for commodity prices, as oil topped $50 per barrel at the beginning of the week. But it later declined, leading to poor performance for the energy sector as a whole. Materials and health care also struggled while financials, utilities, and industrials had strong showings.
- Company earnings reports continued to come in strongly. Apple (AAPL) moved up by more than 5 percent following its announcement of stronger-than-expected iPhone sales. Tesla (TSLA) stock also moved higher after it reported that losses came in lower than expected. Meanwhile, investors continue to focus on the rollout of Tesla's new Model 3 as the company enters what chief executive Elon Musk refers to as "manufacturing hell."
- Like the markets, the economic data released last week was also mixed, with declining business confidence offset by stronger-than-expected jobs data. On Tuesday, the ISM Manufacturing Index increased slightly, as expected. But the Nonmanufacturing Index, released later in the week, declined by more than expected. Despite the decline, this measure is still in healthy expansionary territory at levels that have historically been consistent with gross domestic product growth of 3 percent.
- The week ended with better-than-expected jobs data. The economy added 209,000 new jobs in July, and the headline figure from June was revised up. The underlying data was also positive, with the unemployment rate dropping to a 16-year low. Additionally, average hourly earnings growth ticked up to 2.5 percent year-over-year. Given low unemployment levels, wage growth is expected to accelerate in the second half of the year.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.23	0.30	11.93	16.82
Nasdaq Composite	–0.34	0.07	18.78	24.42
DJIA	1.22	0.94	13.33	23.44
MSCI EAFE	0.88	0.61	18.24	20.92
MSCI Emerging Markets	0.45	0.14	25.91	25.04
Russell 2000	–1.17	–0.88	4.83	17.95

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.17	2.88	0.17
U.S. Treasury	0.21	2.26	–1.67
U.S. Mortgages	0.13	1.94	0.44
Municipal Bond	0.16	4.57	0.54

Source: Morningstar Direct

What to Look Forward To

After a busy week, the only major economic report we'll see this week will deal with consumer prices. It will be released on Friday.

Headline consumer price inflation, including food and energy, is expected to rise by 0.2 percent for July, up from flat in June. On an annual basis, headline inflation is expected to rise to 1.8 percent, up from 1.6 percent.

These numbers would still be below the Federal Reserve's (Fed) inflation target of 2 percent per year, but a rebound would be considered healthy.

Core prices, which exclude food and energy, are also expected to increase by 0.2 percent for July, up from an increase of 0.1 percent in June. On an annual basis, core inflation is expected to remain steady at 1.7 percent.

What to Look Forward To (continued)

There appears to be more upside than downside risk to these numbers. So, although there are concerns about low inflation dropping even lower, prices will likely moderate if these reports come in as expected. This, in turn, would make the Fed more likely to start reducing its balance sheet in September.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. Rev. 08/17.

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