

Investment Weekly

August 28, 2017

Economic Recap

On balance, economic news turned a little more positive. The Markit Purchasing Managers Index (PMI) for Services rose to a strong 56.9 this month, indicating accelerating activity in an area that often drives employment growth. The Manufacturing PMI was a little weaker, but the 52.2 reading still forecasts solid manufacturing growth. That was consistent with other manufacturing reports. The advance report for durable goods fell 6.8%, but excluding the volatile transportation segment, orders rose slightly.

Regional reports showed manufacturing activity was largely unchanged in the Chicago and Richmond Fed surveys, but rose in the Kansas City region. In housing, starts fell modestly while building permits were basically unchanged.

Overseas reports showed significant economic improvement. The Eurozone flash Manufacturing PMI rose to a strong 57.4, while Germany rose to a blistering 59.4 and France rose to 55.8. Japan's Manufacturing PMI improved to 52.8. The prospect of synchronized world growth was also indicated in an Office for Economic Co-operation and Development report, which projects that all 45 countries tracked by that organization will grow this year.

Economic Calendar (U.S.)

Monday – International Trade in Goods
Wednesday – GDP Report
Thursday – Jobless Claims, Personal Income
Friday – Employment Situation, PMI Mfg.

Economic Calendar (International)

Monday – JP Unemployment Rate
Wednesday – EZ Economic Sentiment, DE CPI
Friday – FR/DE/EZ PMI Manufacturing

Interest Rates & Yields

Rate	Current	1 Month	1 Year
Effective Federal Funds Rate	1.16%	1.16%	0.40%
Target 90-day T-bill	0.97%	1.03%	0.30%
U.S. 2-yr Trsy Yield	1.33%	1.35%	0.84%
U.S. 10-yr Trsy Yield	2.17%	2.29%	1.63%
U.S. 30-yr Trsy Yield	2.75%	2.90%	2.29%
U.S. 5-yr Muni Yield	1.29%	1.38%	1.02%
Investment Grade Yield	3.55%	3.52%	3.24%
High Yield	6.16%	5.61%	6.29%

Financial Market Recap

Markets ended higher last week amid reports suggesting that President Trump's team had made progress in framing a tax-reform proposal. However, this was tempered by concerns of a potential government shutdown and reports of a rift between President Trump and Senate Majority Leader Mitch McConnell. Ten out of eleven sectors of the S&P 500 posted gains for the week, with the real estate, telecom and materials sectors showing relative strength, while the consumer staples, consumer discretionary and industrials sectors lagged.

During the week, investors set their sights on the annual Jackson Hole economic symposium, looking for clues on when the Fed or the ECB may decide to raise rates or cut back balance sheets. Fed Chair Yellen's much-anticipated remarks largely turned out to be a non-event as she described a sound financial system 10 years after the housing crisis but offered no clues about the future of monetary policy, instead focusing on the history of the crisis and what regulators have done in response. Ms. Yellen did mention the likelihood of "the all-too-familiar risks of excessive optimism, leverage, and maturity transformation reemerging in new ways that require policy responses." However, she did note that any changes to financial regulations should be modest and that she is open to reviewing the Volcker Rule.

For the week, the Dow Jones Industrial Average closed up 0.6%; the S&P 500 rose 0.8%; and the NASDAQ Composite gained 0.8%. Overseas, the S&P Europe index gained 1.2% and the S&P Asia Pacific index closed up 0.2%. The yield on the 10-year U.S. Treasury note was at 2.17%, down 2 bps for the week. The dollar index was down 0.9% for the week. Crude oil fell 1.8%, to \$47.80 a barrel. Gold traded up 0.3% at \$1,296.10/ounce.

Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	0.75%	-0.90%	10.58%	14.80%
S&P 400 Mid Cap	1.01%	-2.81%	3.91%	10.94%
S&P 600 Small Cap	1.15%	-4.08%	-0.46%	11.15%
S&P Developed Mkts ex-U.S.	0.74%	-0.26%	16.99%	16.13%
S&P Emerging Markets	2.40%	2.35%	26.51%	22.83%
Bloomberg Commodity	0.09%	-1.23%	-4.31%	-1.40%
Barclays U.S. Aggregate	0.16%	0.65%	3.38%	0.30%
Barclays Municipals	0.15%	0.63%	5.06%	0.75%
Barclays U.S. High Yield	0.32%	-0.37%	5.70%	8.37%
HFRX Eq. Wgt. Hedge Funds	0.12%	-0.28%	2.80%	4.47%

All data as of market close: 08/25/2017

Source: Bloomberg

Key Private Bank



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