

Investment Weekly

August 7, 2017

Economic Recap

Domestic reports affirmed a number of economic strengths. Nonfarm payrolls rose 209,000, with average hourly earnings up 0.3% and the unemployment rate falling to 4.3%. Factory orders bounced back sharply after two declines. Additionally, the Purchasing Manager Index (PMI) data indicated both manufacturing and services continue to have a solid outlook.

On the negative side, both in nominal terms and adjusted for inflation, personal income and consumption showed no improvement for the month.

Overseas, the JPMorgan Global Manufacturing and Services PMI, at 53.5, and the Eurozone Markit Manufacturing PMI, at 56.6, forecast solid growth prospects. Services were stronger than manufacturing globally, but that pattern was reversed in the Eurozone. The Eurozone also reported a strong 0.6% GDP growth for the second quarter, adding to the first quarter's strong 0.5% increase, while a 9.1% unemployment rate suggests the region has room to expand. In the U.K., the Manufacturing PMI increased almost a full point, to 55.1, which is reassuring given the recent slowing there. Japan's PMI declined slightly and the 52.1 reading forecasts slower manufacturing growth than in most other developed countries. Weak Japanese income growth poses another overhang. China showed some improvement, with the Manufacturing PMI rising to 51.1.

Economic Calendar (U.S.)

Monday – Gallup US Consumer Spending Measure

Tuesday – JOLTS Consensus

Wednesday – Productivity and Costs

Thursday – Jobless Claims & Treasury Budget

Friday – Consumer Price Index

Economic Calendar (International)

Monday – DE: Industrial Production

Tuesday – CN: Producer Price Index

Friday – DE/FR/IT: Consumer Price Indices

Interest Rates & Yields

Rate	Current	1 Month	1 Year
Effective Federal Funds Rate	1.16%	1.16%	0.40%
Target 90-day T-bill	1.03%	1.00%	0.23%
U.S. 2-yr Trsy Yield	1.35%	1.41%	0.64%
U.S. 10-yr Trsy Yield	2.26%	2.35%	1.50%
U.S. 30-yr Trsy Yield	2.84%	2.87%	2.25%
U.S. 5-yr Muni Yield	1.34%	1.52%	0.98%
Investment Grade Yield	3.49%	3.56%	3.28%
High Yield	5.63%	5.57%	6.56%

Financial Market Recap

Last week, large cap domestic stocks rose 0.2%, easily outpacing the 1.2% decline for domestic small cap stocks. International developed stocks did well, rising 0.4% for the week with emerging markets rising 0.5% for the week. Commodities continue to struggle, down 1.4% for the week and down 0.05% on the year.

Meanwhile, the Dow Jones Industrial Average, which gained 1.2% on the week, closed higher for the ninth session in a row and ended the week at a new all-time high.

Second-quarter earnings season has been a pleasant surprise for investors, and last week 135 companies continued the parade of strong quarterly reports. So far, roughly 80% of the companies in the S&P 500 have reported second-quarter results with 70% of those companies topping revenue forecasts and 73% beating earnings per share (EPS) estimates. Additionally, second-quarter revenue has increased 6.0% year-over-year, and EPS has grown 11.8% year-over-year.

Looking to this week, earnings season will be slowing down with just 35 companies scheduled to report. The economic calendar is light as well with second-quarter nonfarm productivity, second-quarter labor costs, June wholesale sales and inventories and July producer price index (PPI).

Eyes will also be on the July consumer price index (CPI) report. With a consensus estimate of 1.8% y/y, consumer prices may continue to struggle in gaining significant traction but estimates expect they will continue their slow trek toward the Fed's inflation target.

Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	0.19%	0.26%	10.63%	13.47%
S&P 400 Mid Cap	-0.52%	-0.52%	5.47%	12.09%
S&P 600 Small Cap	-1.20%	-1.04%	1.99%	14.45%
S&P Developed Mkts ex-U.S.	0.41%	0.41%	17.77%	19.66%
S&P Emerging Markets	0.45%	0.45%	24.16%	22.32%
Bloomberg Commodity	-1.40%	-1.31%	-4.38%	-0.05%
Barclays U.S. Aggregate	0.17%	0.17%	2.88%	0.17%
Barclays Municipals	0.16%	0.16%	4.57%	0.54%
Barclays U.S. High Yield	0.04%	0.04%	6.14%	10.60%
HFRX Eq. Wgt. Hedge Funds	-0.04%	-0.10%	2.99%	5.08%

All data as of market close: 08/4/2017

Source: Bloomberg

Key Private Bank



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