

# Investment Weekly

July 10, 2017

## Economic Recap

Despite more signs of moderation, U.S. growth continues. Fed minutes confirmed their intent to reduce the balance sheet, but stated they might suspend rate hikes while that happens.

A 222,000 nonfarm payroll increase was stronger than expected, but earnings growth fell short. Durable goods and factory orders both weakened, each declining for a second month. June's Markit Manufacturing Purchasing Manager Index (PMI) also declined, but the 52.0 reading still shows growth. A higher Services PMI reading (54.2) indicates both stronger and accelerating expansion.

Internationally, European industrial production strengthened. German production rose 1.2% in May over the previous month versus an expected 0.3%. France (+1.9%) and Spain (+1.2) also beat estimates solidly. Strong Markit Manufacturing PMI readings suggest the stronger growth will continue. The Eurozone's PMI rose a full point to 57.4. Readings of 54.8 in France and 54.7 for Spain show the manufacturing strength extends beyond Germany, whose reading hit 59.6. With unemployment at 9.3%, the Eurozone should have room to expand.

In China, mildly stronger production helped the Manufacturing PMI return to growth territory, with a reading of 50.4.

## Economic Calendar (U.S.)

Monday – Labor Market Conditions Index, Consumer Credit  
Tuesday – JOLTS, Redbook, Wholesale Trade  
Wednesday – Atlanta Fed Business Inflation Expectations  
Thursday – Jobless Claims  
Friday – Consumer Price Index, Industrial Production

## Economic Calendar (International)

Monday – DE: Merchandise Trade  
Tuesday – IT: Industrial Production; JP: PPI  
Wednesday – EZ: Industrial Production; IN: CPI  
Thursday – DE: CPI

## Interest Rates & Yields

Rate	Current	1 Month	1 Year
Effective Federal Funds Rate	1.16%	0.91%	0.40%
Target 90-day T-bill	0.99%	0.95%	0.25%
U.S. 2-yr Trsy Yield	1.40%	1.31%	0.59%
U.S. 10-yr Trsy Yield	2.39%	2.17%	1.39%
U.S. 30-yr Trsy Yield	2.93%	2.84%	2.13%
U.S. 5-yr Muni. Yield	1.54%	1.35%	1.03%
Investment Grade Yield	3.60%	3.50%	3.25%
High Yield	5.67%	5.45%	6.75%

## Financial Market Recap

U.S. stocks were little changed during the holiday-shortened week with the S&P 500 adding 0.2%.

In Monday's abbreviated session, the Dow and S&P 500 easily outpaced the tech-heavy NASDAQ. While U.S. markets were closed on Tuesday, North Korea successfully launched its first ballistic missile capable of reaching the continental U.S., causing geopolitical tension. The U.S. and South Korea responded by conducting a joint ballistic-missile exercise.

Following Tuesday's holiday, markets quickly turned their attention to the European Central Bank (ECB) and the Federal Reserve, both of which released the most recent minutes from their respective policy meetings. The ECB minutes showed that its members were ready to slow the pace of the ECB's bond-buying program. The Fed minutes revealed that policy makers were split on the timing of winding down its \$4.5 trillion balance sheet.

On Friday, the Bureau of Labor Statistics reported the U.S. economy added 222,000 jobs in June. That was the biggest increase in four months and well above expectations for a gain of 178,000 jobs. The unemployment rate ticked up from a 16-year low of 4.3% last month to 4.4% in June, largely due to individuals returning to the workforce.

As the weekend approached, global leaders arrived in Hamburg, Germany for the G20 summit to discuss issues including North Korea breaching a UN ban on missile testing, free trade, and climate change. It was President Donald Trump's first G20 meeting, and his interactions with world leaders - especially with Russian President Vladimir Putin - accounted for most of headlines coming out of the summit.

## Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	0.23%	0.07%	8.32%	13.86%
S&P 400 Mid Cap	0.04%	0.04%	5.23%	14.93%
S&P 600 Small Cap	-0.08%	-0.13%	2.00%	18.32%
S&P Developed Mkts ex-U.S.	-0.67%	-0.58%	13.20%	20.38%
S&P Emerging Markets	-0.74%	-0.28%	16.21%	21.96%
Bloomberg Commodity	-0.95%	-0.95%	-6.15%	-4.77%
Barclays U.S. Aggregate	-0.37%	-0.37%	1.90%	-1.48%
Barclays Municipals	-0.18%	-0.18%	3.38%	-0.93%
Barclays U.S. High Yield	-0.24%	-0.24%	4.68%	10.89%
HFRX Eq.Wgt. Hedge Funds	-0.03%	-0.03%	2.33%	5.48%

All data as of market close: 07/07/2017

Source: Bloomberg

**Key Private Bank**



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