

# Investment Weekly

July 3, 2017

## Economic Recap

Public confidence remains elevated, but economic results have not forcefully responded. Personal income rose 0.4% in May, but personal consumption gained only 0.1%. Durable goods orders declined 1.1% in May and were flat excluding volatile transportation orders.

The U.S. Personal Consumption deflator rose only 1.4% y/y, and declined in May. Although weak inflation benefits buyers, it can imply sluggish growth. However, the market outlook is slightly better. Q1 GDP was revised higher based on improving personal consumption and exports estimates. Additionally, regional indices, such as the Chicago Purchasing Managers Index, have improved.

Globally, inflation was relatively weak. Germany's CPI rose a modest 1.6% y/y, as France's only increased 0.8%. Japan's CPI was up a mere 0.4% and Canada's rose 1.3% y/y.

France's consumer spending spiked, growing 1.4% over the last year and up 1.0% in May alone. German retail sales also accelerated, rising 5.5% (annualized) in May versus 4.8% over the last year. The U.K. is slowing, as Q1 GDP grew only 0.8% (annualized), and exports declined. Japan has also struggled. Industrial production declined 3.3% in May. Personal consumption was also flat as retail sales growth slowed and real wages fell.

## Economic Calendar (U.S.)

Monday – PMI Manufacturing Index  
Wednesday – Factory Orders  
Thursday – International Trade, Jobless Claims, ADP Employment Report  
Friday – Employment Situation

## Economic Calendar (International)

Monday – EZ: Unemployment Rate, PMI Mfg. Index  
Tuesday – JP: PMI Composite  
Wednesday – DE/EZ/FR: PMI Composite  
Friday – GB: Industrial Production, Merchandise Trade

## Interest Rates & Yields

Rate	Current	1 Month	1 Year
Effective Federal Funds Rate	1.06%	0.91%	0.30%
Target 90-day T-bill	0.98%	0.93%	0.23%
U.S. 2-yr Trsy Yield	1.38%	1.29%	0.59%
U.S. 10-yr Trsy Yield	2.30%	2.16%	1.44%
U.S. 30-yr Trsy Yield	2.83%	2.81%	2.23%
U.S. 5-yr Muni. Yield	1.52%	1.40%	1.06%
Investment Grade Yield	3.55%	3.55%	3.38%
High Yield	5.64%	5.84%	7.05%

## Financial Market Recap

Last week we saw the continuation of a rotation from technology stocks to the financial stock sector in the United States. In Europe, the benchmark equity index fell for the fourth consecutive week in light of the chairman of the European Central Bank (ECB), Mario Draghi's hawkish commentary.

By and large, economic data out of the United States was solid last week, coming in-line with consensus expectations. Despite this, market volatility increased from its lows as many investors are becoming more concerned that the U.S. economy will not be able to withstand a full normalization of rates including a balance sheet work-down. That being said, the expectation for higher rates has buoyed shares of financial stocks.

Part of the rally in financial stocks was due to all 34 banks passing the Fed's stress test along with the Fed giving many large banks the green light to return capital to shareholders earlier this week.

Oil trended higher last week, up approximately 6% to \$46.06 per barrel. U.S. government data show that gasoline supplies are dropping. Gold is expected to experience its first monthly decline in 2017, and finished at \$1,241 per ounce.

For the week, the S&P 500 lost 0.58% and small-caps were up 0.38%. Internationally, developed markets lost -0.13%, while emerging markets rose 0.13%. The yield on the 10-year U.S. Treasury note finished the week at 2.30%, up 16 basis points on the week.

## Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	-0.58%	0.62%	9.34%	17.89%
S&P 400 Mid Cap	0.21%	1.62%	5.99%	18.56%
S&P 600 Small Cap	0.38%	2.99%	2.78%	22.36%
S&P Developed Mkts ex-U.S.	-0.13%	0.19%	13.86%	20.07%
S&P Emerging Markets	0.13%	0.96%	16.54%	22.01%
Bloomberg Commodity	3.74%	-0.19%	-5.26%	-6.50%
Barclays U.S. Aggregate	-0.57%	-0.10%	2.27%	-0.31%
Barclays Municipals	-0.53%	-0.36%	3.57%	-0.49%
Barclays U.S. High Yield	0.28%	0.14%	4.93%	12.70%
HFRX Eq.Wgt. Hedge Funds	0.08%	0.47%	2.46%	6.08%

All data as of market close: 06/30/2017

Source: Bloomberg

**Key Private Bank**



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