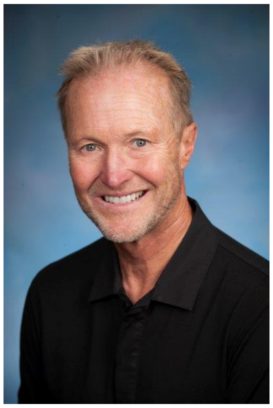

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Market Week: July 17, 2017

The Markets (as of market close July 14, 2017)

Both the Dow and S&P 500 reached record highs last week, and each of the indexes listed here posted gains. While the large-cap indexes reached new highs, the tech-heavy Nasdaq had the best week, climbing over 2.50% by last week's end, followed by the Global Dow, which gained a little over 2.0%. With consumer prices holding steady inflation appears to be stagnant, which bodes well for the Fed holding interest rates at their current level. This may have prompted investors to sell long-term bonds as prices dropped, hiking yields higher.

The price of crude oil (WTI) closed at $46.68 per barrel, up from the prior week's closing price of $44.30 per barrel. The price of gold (COMEX) closed last week at $1,228.00 by late Friday afternoon, $16.00 ahead of the prior week's price of $1,212.00. The national average retail regular gasoline price increased to $2.297 per gallon on July 10, 2017, $0.037 higher than the previous week's price and $0.044 higher than a year ago.

Market/Index	2016 Close	Prior Week	As of 7/14	Weekly Change	YTD Change
DJIA	19762.60	21414.34	21637.74	1.04%	9.49%
Nasdaq	5383.12	6153.08	6312.47	2.59%	17.26%
S&P 500	2238.83	2425.18	2459.27	1.41%	9.85%
Russell 2000	1357.13	1415.84	1428.82	0.92%	5.28%
Global Dow	2528.21	2772.66	2829.44	2.05%	11.91%
Fed. Funds target rate	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
10-year Treasuries	2.44%	2.38%	2.33%	-5 bps	-11 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic Headlines

- In a sign that inflation is weakening, the prices consumers pay for goods and services, as measured by the Consumer Price Index, were unchanged in June compared to May. Over the last 12 months, consumer prices have increased 1.6%. The core CPI, less volatile food and energy prices, managed a subtle 0.1% bump for the month, while increasing 1.7% since June 2016. If expanding inflation is one of the key justifications used by the Fed in raising interest rates, this report makes it likely that rates will not be increased when the FOMC next meets at the end of July.
- The prices producers received for their goods and services (as measured by the Producer Price Index) increased by 0.1% in June. Producer prices were unchanged in May and rose 0.5% in April. Over the 12 months ended in June, producer prices have advanced 2.0%. Almost 80% of the June rise in prices was attributable to a 0.2% increase in prices for services. Food prices rose 0.6%, while energy prices dipped 0.5%. Producer prices less the volatile food, energy, and trade services components increased 0.2% for

Key Dates/Data Releases

7/18: Import and export prices

7/19: Housing starts

the month, and 2.0% for the 12 months ended in June. Since increases in prices at the producer level are usually passed on to consumers, investors may seek to monitor the Producer Price Index to get a potential read on inflationary trends. Theoretically, with no real increase in prices, more money should be available for investment.

- Retail sales fell 0.2% in June following a 0.1% decline in May, indicating consumers have apparently curtailed their spending. Sales at food and beverage stores fell 0.4%, restaurant sales dropped 0.6%, department store sales were down 0.7%, and gasoline sales plummeted 1.3% — a reflection of weakening prices at the pumps.
- The federal deficit expanded in June to $90.23 billion compared to May's monthly deficit of $88.42 billion. For the fiscal year, which began in October, the deficit sits at $523.08 billion. Over the same nine months last fiscal year, the deficit was $399.16 billion. An expanding deficit has a direct impact on the yields on government securities, which the government sells to provide necessary funds to meet its expenses. The more government notes and bonds that are issued, the lower the price and higher the yield. The yield on government securities can impact other interest bearing securities as well.
- According to the Federal Reserve's monthly report, industrial production rose 0.4% in June for its fifth consecutive monthly increase. Manufacturing output moved up 0.2%. The index for mining posted a gain of 1.6% in June, just slightly below its pace in May. The index for utilities, however, remained unchanged. For the second quarter as a whole, industrial production advanced at an annual rate of 4.7%, primarily as a result of strong increases for mining and utilities. Manufacturing output rose at an annual rate of 1.4%, a slightly slower increase than in the first quarter.
- According to the latest Job Openings and Labor Turnover report from the Bureau of Labor Statistics, the number of job openings decreased to 5.7 million (-301,000) on the last business day of May. Over the month, hires increased to 5.5 million (+429,000) and separations increased to 5.3 million (+251,000). Within separations, the quits rate increased 0.1 percentage point to 2.2% and the layoffs and discharges rate was unchanged at 1.1%. Over the 12 months ended in May, hires totaled 63.2 million and separations totaled 60.9 million, yielding a net employment gain of 2.4 million. The JOLTS report differs from the more current employment situation report by providing specific information on job openings, hires, and separations.
- In the week ended July 8, the advance figure for seasonally adjusted initial claims for unemployment insurance was 247,000, a decrease of 3,000 from the previous week's revised level. The previous week's level was revised up by 2,000 from 248,000 to 250,000. The advance seasonally adjusted insured unemployment rate remained 1.4% for the week ended July 1, unchanged from the previous week's unrevised rate. During the week ended July 1, there were 1,945,000 receiving unemployment insurance benefits, a decrease of 20,000 from the previous week's revised level. The previous week's level was revised up by 9,000 from 1,956,000 to 1,965,000.

Eye on the Week Ahead

There isn't much available in terms of economic indicators this week. One report worth noting focuses on import and export prices in June. An indicator of inflation in products traded globally, the Import and Export Price Indexes impacts bond prices and equity markets, particularly when importing inflation rises, which often leads to bond and stock prices decreasing.

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