



## THE WEEK IN REVIEW

Expectations have grown that sometime later this year the Federal Reserve will raise interest rates from record lows, although the timing of the rate hike remains uncertain. A statement issued by the Fed on Wednesday provided no timetable. The central bank signaled that it wants to see further economic gains and higher inflation before raising rates. Many analysts foresee the first hike coming in September, though Fed Chair Janet Yellen has stressed that any increase will be driven by economic data. Wednesday's statement noted that the job market, housing, and consumer spending have all improved. The Fed still expects inflation to rise gradually toward its 2.0% target. This statement made only slight changes to the wording of the previous statement released in June, suggesting a healthier economy.

After a sluggish start to the year, the first reading for second quarter GDP came in at 2.3% growth, only slightly below analyst expectations for 2.5%. Additionally, first quarter GDP was revised upwards into positive territory to 0.6% growth from a decline of 0.2%. The second quarter reading was aided by higher consumer spending, especially on big ticket items such as automobiles, as well as a strengthening housing market. However, business investment remains weak in both new investment and inventory values. This week's report is the first to incorporate new methodology meant to provide a more accurate picture of the economy and eliminate large quarterly swings. Second quarter GDP will be revised again in both August and September, as other key components of the metric become available.

Consumer confidence for July fell to a ten-month low, dropping to 90.9 from 99.8 in June. Confidence fell amid a more volatile domestic stock market, along with worries over the Greek debt crisis and financial market troubles in China. Expectations were very weak in July, falling 13 points month-over-month due to a rising pessimism in the jobs outlook, where a growing number of individuals see fewer job openings six months from now. Consumer sentiment also fell in July, to 93.1 versus a revised 96.1 in June, and was also impacted by the expectations component reflecting a weaker jobs outlook. Consumer sentiment is closely watched by economists to predict trends in consumer spending.

China stocks fell on Friday and posted their biggest monthly loss in nearly six years, even as Beijing rolled out a series of support measures and promised to beef up efforts to bolster their weakening economy. The Shanghai Composite Index, which tracks all the tickers trading on the Shanghai Stock Exchange, lost 1.1% to end at 3,664. It fell 10.0% for the week and 14.3% for the month. After more than doubling in a year, China's stock markets fell into a savage correction in mid-June, slumping some 30.0%. Despite this decline, China's stock market is still up nearly 13.0% so far this year.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,689.86	0.69%	-0.74%	6.81%
NASDAQ	5,128.28	0.78%	8.28%	17.36%
S&P 500 LargeCap	2,103.92	1.17%	2.19%	8.97%
S&P 400 MidCap	1,502.90	1.77%	3.47%	9.65%
S&P 600 SmallCap	712.63	1.55%	1.97%	9.90%
MSCI EAFE	1,858.97	-0.11%	4.74%	-3.81%
MSCI Emerging Markets	894.07	-1.79%	-6.51%	-16.11%
Barclays Aggregate US		0.28%	0.27%	2.11%
Bloomberg Non-US Govt Bond		0.39%	-0.52%	2.00%
Bloomberg US Treasury Index		0.04%	0.56%	3.51%
Bloomberg High Yield Index		0.17%	2.51%	-0.85%
FTSE/NAREIT All REIT Index		1.13%	-2.74%	4.60%
Bloomberg Commodity Index		-1.61%	-12.03%	-28.25%
<b>KEY BOND RATES</b>		<b>WEEK</b>	<b>1 MO AGO</b>	<b>1 YR AGO</b>
3-Month T-Bill		0.08%	0.01%	0.03%
2-Year Treasury		0.67%	0.64%	0.53%
5-Year Treasury		1.54%	1.63%	1.76%
10-Year Treasury		2.20%	2.35%	2.58%
30-Year Treasury		2.92%	3.11%	3.32%
Municipal Bond Yields (10 Yr)		2.31%	2.37%	2.29%

Price return as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

## UPCOMING WEEK

Next week is a busy week for scheduled economic releases, starting with personal income and consumer spending on Monday. Expectations are for a 0.4% and 0.2% increase, respectively. Core inflation will also be released Monday and is expected to remain steady at 0.1%. Analysts are calling for a slight decline in the ISM Manufacturing Index, from 53.5% to 53.2%, however any reading over 50 indicates growth. Factory orders are released Tuesday and are expected to gain 1.5% from a previous loss of 1.0%. The unemployment rate comes out Friday, and is predicted to remain at 5.3%.

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