



THE WEEK IN REVIEW

In news that jolted the global markets this week, China's central bank devalued its currency. China controls its currency by setting the daily rate for the yuan versus the U.S. dollar and allows the yuan to move within a 2.0% daily range. The central bank announced that the yuan's fixed rate will now be based on where the yuan closed at the previous day, allowing the currency to be more market-driven. Until now, The People's Bank of China often ignored the yuan's movement the previous day when setting the next day's rate. As a result of the change, the yuan's fixed rate was lowered on Tuesday by 1.9% to 6.23 against the U.S. dollar. Investors reacted by pushing the currency lower another 1.5%, causing its largest daily loss in two decades. The yuan continued to decline through Wednesday and Thursday when it closed at its lowest level against the U.S. dollar in four years.

Greece and its creditors reached an agreement on terms for a bailout of €86 billion over the next three years. The Greek parliament approved the terms of the country's third bailout Friday morning; however, the deal still faces hurdles. Several other EU countries still have to approve the bailout, including Germany which has been a harsh critic of the deal. The IMF has insisted that Greece needs relief to lower its unsustainable amount of debt, currently at 180% of GDP. The IMF says it will decide whether to commit to new funding once a debt relief plan has been developed.

Retail sales for July were positive across most components of the report, with previous months revised upward. U.S. retail sales for July rose 0.6% versus analysts' expectations of 0.5%. In June, sales were revised up to unchanged from a decline of 0.3%, while May sales showed a gain of 1.9%. The primary contributors to the increase in July were car sales, which erased most of June's 1.5% decline with a 1.4% jump, and restaurants, which rose 0.7% following June's 0.5% gain.

U.S. producer prices for the month of July rose a seasonally adjusted 0.2% versus expectations of a 0.1% rise. Excluding food and energy, prices increased by 0.3%, in line with economists' predictions for the month. The biggest sector swing belonged to energy prices, which sharply declined 0.6% in July due to falling oil prices.

Over 450 members of the S&P 500 reported Q2 earnings. According to Zacks Investment Research, earnings for these companies are down 2.6% and revenue is down 4.1%. If earnings and revenue finish the Q2 reporting season with declines, it will be the first year-over-year decline in earnings since Q3 of 2012, and the first consecutive quarters with lower revenue since Q2 and Q3 of 2009.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,477.40	0.60%	-1.94%	4.57%
NASDAQ	5,048.24	0.09%	6.59%	13.37%
S&P 500 LargeCap	2,091.54	0.67%	1.59%	6.98%
S&P 400 MidCap	1,501.72	0.91%	3.39%	7.53%
S&P 600 SmallCap	706.90	-0.03%	1.70%	7.45%
MSCI EAFE	1,845.58	-1.23%	3.98%	-3.12%
MSCI Emerging Markets	864.80	-2.29%	-9.57%	-19.36%
Barclays Aggregate US		-0.10%	0.55%	2.02%
Bloomberg Non-US Govt Bond		0.20%	-0.42%	2.25%
Bloomberg US Treasury Index		-0.05%	1.05%	3.22%
Bloomberg High Yield Index		-0.69%	1.23%	-1.87%
FTSE/NAREIT All REIT Index		1.39%	-1.63%	3.80%
Bloomberg Commodity Index		-0.14%	-13.39%	-28.09%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.09%	0.01%	0.04%
2-Year Treasury		0.73%	0.66%	0.48%
5-Year Treasury		1.61%	1.67%	1.68%
10-Year Treasury		2.20%	2.41%	2.55%
30-Year Treasury		2.84%	3.20%	3.36%
Municipal Bond Yields (10 Yr)		2.27%	2.37%	2.22%

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 will bring some key economic housing data. On Tuesday, July housing starts will be revealed with expectations for 1.24 million. On Thursday, existing home sales will be posted with a forecast of 5.40 million, slightly below June's figure of 5.49 million. On Wednesday, the July Consumer Price Index figure will be released, and the FOMC will issue minutes from its July 28-29 policy meeting. Analysts are expecting CPI to increase by 0.1%, below the previous monthly figure of 0.3%

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