MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE

9/11/15

THE WEEK IN REVIEW

Domestic equities finished on a positive note this week with the S&P 500 Index rising 2.10% amid falling volatility. Investors have been whipsawed the last few weeks as volatility surged amid fears China's economic weakness, currency depreciation, and significant domestic stock market declines may lead to contagion. While global growth appears to be holding up well, many countries continue to contend with US dollar strength which has materially impacted economic activity and local currency values.

In other markets, bonds declined this week as 10-year Treasury yields move higher, sending price returns into negative territory. The Barclays Aggregate Bond Index dropped 0.30%, while the 10-year Treasury bond declined 0.87%. Inflation expectations increased this week after the release of several optimistic U.S. economic reports.

The Bureau of Labor Statistics' report on Job Openings and Labor Turnover Survey (JOLTs) indicated that job openings increased to 5.75 million in August. The total has continued to rise above pre-recession highs, suggesting that the labor market is likely to continue tightening. The other important takeaway from the report is that wage gains could be following closely behind. The Fed is watching these developments closely for signs of wage price inflation as it considers raising its policy rate (federal funds rate) for the first time since 2008.

This week, the Bureau of Labor Statistics released its report on Producer Prices, which measures the average change over time in the selling prices received by domestic producers for their output. The overall reading was unchanged this month. Depressed energy prices continue to weigh heavily on the headline reading, The core reading, however, excluding food and energy, declined 0.05%. The year-over-year change increased at a 2.0% rate.

Weekly jobless claims dropped by 6,000 to 275,000, and layoffs remain near the lowest level in decades. Meanwhile, new claims have stayed under the key level of 300,000 for 27 straight weeks; the last time the pace was that low for that long was 1973.

Recent stock market volatility likely weighed on the Consumer Sentiment Index which deteriorated this month to 85.7, more than 6 points below the August reading of 91.9. This is the lowest level since September of last year and the biggest one-month drop since the end of 2012.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	16,433.09	2.05%	-7.80%	-3.81%
NASDAQ	4,822.34	2.96%	1.82%	4.86%
S&P 500 LargeCap	1,961.05	2.07%	-4.75%	-2.10%
S&P 400 MidCap	1,414.47	2.03%	-2.61%	-1.66%
S&P 600 SmallCap	670.37	1.47%	-3.84%	-0.45%
MSCI EAFE	1,710.23	2.01%	-3.64%	-10.17%
MSCI Emerging Markets	804.16	1.99%	-15.91%	-24.81%
Barclays Aggregate US		-0.29%	0.49%	2.39%
Bloomberg Non-US Govt Bond		-0.18%	-1.92%	-0.02%
Bloomberg US Treasury Index		-0.44%	0.80%	3.42%
Bloomberg High Yield Index		0.39%	1.12%	-2.13%
FTSE/NAREIT All REIT Index		1.76%	-8.95%	-4.12%
Bloomberg Commodity Index		0.49%	-14.76%	-26.89%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.04%	0.10%	0.02%
2-Year Treasury	0.71%	0.68%	0.58%
5-Year Treasury	1.52%	1.53%	1.79%
10-Year Treasury	2.20%	2.15%	2.54%
30-Year Treasury	2.95%	2.81%	3.27%
Municipal Bond Yields (10 Yr)	2.28%	2.28%	2.27%

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 be a much busier week for economic data and markets. Investors will get a look at manufacturing capacity utilization levels, consumer prices (CPI), housing starts, the Philadelphia Fed's Business Outlook survey, and the highly anticipated FOMC rate decision. While the week's reports may have little influence on the Fed's rate decision, it will provide us with a timely look at how U.S. economic growth is progressing. Specifically, investors will closely watch the CPI report for signs of rising inflation and the Philadelphia Fed report for indications of the health of business conditions.