



## THE WEEK IN REVIEW

At its September meeting, the Federal Reserve FOMC left short-term interest rates unchanged. Just two months ago, it seemed very likely that the Fed would raise rates at this week's meeting, but recent volatility in the financial markets and concerns about global economic growth caused the Fed to take a cautious approach. In the post-announcement press conference, Fed Chair Janet Yellen said that recent global economic and financial developments could restrain U.S. economic activity, and are likely to put downward pressure on inflation in the short-term. These developments have not caused a significant shift in the Fed's outlook as the majority of Fed officials still believe it is appropriate to raise interest rates this year. However, the number of officials with that view has declined to 13 of 17, down from 15 in June. Yellen was upbeat about the economy and continued improvement in the labor market. She noted inflation remains below the Fed's 2.0% long-term target. The Fed's preferred measure of inflation, the Personal Consumption Expenditures, has been below their 2.0% target for three years and was up only 0.3% year-over-year in July.

Another measure of inflation, the Consumer Price Index (CPI), declined last month for the first time since January. CPI fell 0.1% in August and is up only 0.2% over the past year. The monthly decline was due to steep drops in energy and airfares, which were down 2.0% and 3.1%, respectively. The price of oil has been a drag on inflation since it began its descent last summer. Gasoline prices are down 23.0% over the past year. Excluding the volatile food and energy components, Core CPI gained 0.1% last month and is up 1.8% over the past year.

Retail sales for August continue to show signs of solid growth with auto and restaurant figures leading the charge. Overall retail sales rose a seasonally adjusted 0.2%, versus expectations of a 0.3% rise. Motor vehicle sales rose 0.7%, which was the second straight strong gain. This was on top of July's 1.4% gain. In addition, restaurants rose a very strong 0.7%, continuing the streak of positive readings. Detractors in August were gasoline sales, which, despite the continued decline in gas prices, fell 1.8% followed by building materials which declined 1.8%.

While the beginning of summer proved promising for housing starts, August figures continued a downward trend. Housing starts for August fell 3.0% to a seasonally adjusted annual rate of 1.3 million units, versus expectations for 1.16 million. Although this is the second consecutive month with a decline, permits for new construction rose 3.5% to an annual rate of 1.17 million units after plunging 15.5% in August.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	16,384.58	-0.29%	-8.07%	-5.10%
NASDAQ	4,827.23	0.10%	1.93%	5.09%
S&P 500 LargeCap	1,958.03	-0.15%	-4.90%	-2.65%
S&P 400 MidCap	1,413.00	-0.10%	-2.72%	-1.02%
S&P 600 SmallCap	671.36	0.15%	-3.41%	0.86%
MSCI EAFE	1,713.96	0.54%	-3.43%	-9.95%
MSCI Emerging Markets	827.50	3.12%	-13.47%	-21.67%
Barclays Aggregate US		-0.05%	0.61%	2.89%
Bloomberg Non-US Govt Bond		0.58%	-1.33%	1.28%
Bloomberg US Treasury Index		-0.04%	0.98%	4.02%
Bloomberg High Yield Index		-0.24%	0.89%	-1.99%
FTSE/NAREIT All REIT Index		2.66%	-6.53%	2.02%
Bloomberg Commodity Index		-1.35%	-15.91%	-27.19%
<b>KEY BOND RATES</b>		<b>WEEK</b>	<b>1 MO AGO</b>	<b>1 YR AGO</b>
3-Month T-Bill		0.00%	0.07%	0.02%
2-Year Treasury		0.69%	0.74%	0.59%
5-Year Treasury		1.45%	1.60%	1.85%
10-Year Treasury		2.13%	2.20%	2.63%
30-Year Treasury		2.93%	2.87%	3.36%
Municipal Bond Yields (10 Yr)		2.29%	2.26%	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 will provide important housing data along with second quarter GDP revision figures. On Monday, existing home sales will be released with economists estimating an average of 5.52 million units. On Thursday, new homes sales for August will be announced, followed by durable goods and jobless claims. Analysts' average predictions for new homes sales are for an increase of 514,000 while estimates on durable goods are for a decline of -2.2%.

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