



THE WEEK IN REVIEW

Job openings decreased 5.3% in August to 5.37 million from July's post-recession high of 5.67 million. The Job Openings and Labor Turnover Survey also reported that the ratio of unemployed persons per job opening was 1.5 last month. This ratio has steadily declined from its peak of 6.8 during the recession, and it is currently at a level not reached since the early 2000's. This lower ratio indicates there is little slack remaining in the labor market and upward pressure on wage inflation will likely increase. Fed Chair Janet Yellen has frequently cited labor market slack as one of the impediments of higher inflation.

The Consumer Price Index fell 0.2% in September and is flat compared to a year ago. Low energy prices continue to hold back inflation as the price of gasoline dropped 9.0% last month and is down 30% from a year ago. Excluding the volatile food and energy categories, Core CPI gained 0.2% last month and is up 1.9% year-over-year.

Retail sales were disappointing for a second consecutive month with an increase of 0.1% in September. Auto sales and restaurants remained strong with monthly gains of 1.7% and 0.9%, respectively. Gasoline sales were once again the largest drag on retail sales with a monthly fall of 3.2%. Retail sales are up only 2.4% over the last 12 months, but sales are up a healthy 4.9% excluding gasoline sales.

Through Thursday morning, 46 S&P 500 members reported Q3 2015 earnings. According to Zacks Investment Research, these companies reported earnings growth of 7.7% and revenue growth of 2.6%. Bank of America was the primary reason behind the good earnings growth. Excluding Bank of America, earnings are down 1.3% with revenue growth of 3.0%. Combining the reported earnings with Zacks' earnings estimate of the remaining 454 S&P 500 members shows expected earnings growth of -4.8% and revenue growth of -4.9%. Next quarter earnings for the S&P 500 are estimated to decline 5.1% from a year ago, down from last week's estimate of -4.7%.

Domestic stocks trended higher this week, with almost all of the gains taking place on Thursday, when the S&P 500 Index jumped 1.5%. Banks and other financial services stocks provided leadership that day, as the Financial Select SPDR ETF rose 2.3% on the basis of an improving credit quality and loan growth picture for banks. Earnings at Citigroup were the catalyst for the rally, with that bellwether name rising 4.4% on the day; Charles Schwab jumped 3.0%, and U.S. Bancorp added 1.3%. Other notable earnings releases this week included GE, which jumped over 3.0% on Friday on mixed earnings results, and Netflix, which dropped over 8.0% on Thursday as a result of a shortfall in U.S. subscribers.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,215.97	0.77%	-3.41%	6.82%
NASDAQ	4,886.69	1.16%	3.18%	15.87%
S&P 500 LargeCap	2,033.11	0.90%	-1.25%	9.14%
S&P 400 MidCap	1,434.35	-0.56%	-1.23%	9.42%
S&P 600 SmallCap	685.92	-0.27%	-1.39%	9.39%
MSCI EAFE	1,753.89	-0.24%	-1.18%	2.29%
MSCI Emerging Markets	864.73	0.63%	-9.58%	-10.91%
Barclays Aggregate US		0.36%	1.54%	1.78%
Bloomberg Non-US Govt Bond		0.23%	-0.08%	0.73%
Bloomberg US Treasury Index		0.49%	2.12%	2.27%
Bloomberg High Yield Index		0.09%	0.26%	-0.58%
FTSE/NAREIT All REIT Index		1.02%	-2.12%	5.62%
Bloomberg Commodity Index		-1.35%	-13.94%	-23.62%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.01%	0.06%	0.03%
2-Year Treasury		0.61%	0.82%	0.35%
5-Year Treasury		1.36%	1.62%	1.39%
10-Year Treasury		2.04%	2.30%	2.17%
30-Year Treasury		2.87%	3.08%	2.94%
Municipal Bond Yields (10 Yr)		2.07%	2.28%	1.94%

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

UPCOMING WEEK

China's third quarter GDP will be released next Monday. Economists are expecting China's GDP growth to be below 7.0%. U.S. economic data will be light next week, with housing starts and existing home sales the only major economic releases. Economists are expecting a rebound in housing last month with a 1.8% monthly gain in housing starts and 1.0% gain in existing home sales. In August, housing starts fell 3.0% and existing home sales dropped 4.8%.

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