MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 7/15/16

THE WEEK IN REVIEW

The number of job openings in May dropped from a record high, according to a Labor Department report released on Tuesday, giving a more tempered assessment of the U.S. job market following a strong payrolls number reported last week. Job openings slid in May to the lowest level of the year, falling to 5.5 million from 5.85 million in April. The new data from the Job Openings and Labor Turnover Survey (JOLTS) tracks the millions of Americans who start a new job, quit or get laid off each month. The rates of workers being hired, fired or quitting their jobs were unchanged in May. Hiring and quitting have declined since the start of the year, so the lack of improvement in May is disappointing. The report is separate from the Labor Department's primary jobs report and released with a one-month lag, so it provides no insight into the rebound reported in the market for June last week.

Prices charged by U.S. producers rose last month at the fastest pace in over a year, reflecting a big jump in the price of gasoline and other energy products. The Labor Department stated on Thursday that its producer-price index (PPI), measuring what companies pay other firms for items ranging from gasoline to furniture, rose 0.5% in June from a month earlier, the largest increase since May 2015. Higher costs for energy drove the increase, though other costs ranging from food to brokerage services also rose. Even with the June acceleration, producer prices are up just 0.3% over the past 12 months, while core inflation is up a moderate 1.3%.

On Friday, consumer sentiment came out at 89.5, markedly lower than the consensus range of 91-94.2. The expectations component fell 5.3 basis points to 77.1, which is one of the weakest readings in two years. These may be some preliminary effects of the Brexit vote, continued uncertainties regarding the outlook for oil prices, the presidential election and the outlook on jobs data. Markets responded poorly Friday morning, falling into the red slightly and breaking their winning streak. The days following the Brexit vote may have been the most pronounced demonstration of deterioration in consumer confidence, with yield on the 10-year Treasury note declining roughly 10-15 basis points in two days. Since then, however, yields have risen and risk assets like stocks have had a tremendous recovery.

Like most of the data released this week, the consumer price index also presented a cloudy picture. The CPI month over month change came in at the bottom of the consensus range, at 0.2%; however, the service sector prices rose 0.3% month over month for a third straight month, showing strength to help offset the weakness in commodities, which only rose 0.1%. Lodging away from home had tremendous growth of 0.6% month over month, following last month's 0.7% growth. There has been increasing rhetoric lately about a shift in the way people spend money, with experiences holding more value than materials, especially for the millennial generation.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
JOLTS	5500000	5800000	▼
Producer Price Index	0.50%	0.20%	▲
Retail Sales	0.60%	1.25%	▼
Consumer Price Index	0.20%	0.40%	▲
Consumer Sentiment	89.50%	89.00%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18516.55	2.04%	6.26%	2.58%
NASDAQ	5029.59	1.47%	0.44%	-1.36%
S&P 500 LargeCap	2161.74	1.49%	5.76%	2.58%
MSCI EAFE	1654.42	3.91%	-3.60%	-11.93%
Barclays Aggregate US		0.29%	5.61%	6.49%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.28%	0.26%	0.02%
10-Year Treasury	1.56%	1.60%	2.36%

REPORTS DUE NEXT WEEK	LATEST
Housing Market Index	60
Housing Starts	1.138 M
Existing Home Sales	5.530 M
Leading Indicators	-0.002

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified. Returns include reinvestment of dividends, if any and there is no guarantee they will continue.