



## THE WEEK IN REVIEW

Markets responded positively to Wednesday's release of the minutes from June's FOMC meeting, with the S&P 500 up 1.1% on the week. The minutes indicated that concerns existed over the labor market as job creation slowed in recent months, but the committee thought the May report was a result of outside factors. Regarding inflation, "most" participants thought inflation was slowly on its way to the 2% target; however, the fed funds rate trajectory moved slightly downward reflecting the committees view that the rate hiking process will likely be more deliberate than previously thought. The effects of the Brexit referendum will be an interesting point at the next meeting, as the minutes released this week don't give many reasons to suggest a change in Fed policy prior to the vote.

The jobs report blew past expectations this month with a gain of 287,000, which trounced consensus estimates of 170,000. The strong monthly report reassured investors that May's surprisingly weak employment report, which was revised to show only 11,000 jobs added down from the originally reported 38,000, may have been an aberration. The unemployment rate remained below 5%, although it did rise slightly from 4.7% to 4.9%. Some of the increase can be attributed to people re-entering the workforce. Average hourly earnings increased 0.1% last month which pulled the year-over-year gain to 2.6%, the strongest pace of the recovery. The report dovetailed with yesterday's ADP private payrolls report which also came in ahead of expectations. Overall, the two reports provide fresh data points indicating that the labor market remains healthy and that continued tightening may be pushing average hourly earnings higher. While the pace of labor market growth has slowed since last summer, the three month moving average of job gains is in-line with the post-recession average.

The Non-Manufacturing ISM report for June was released this week and it indicated that the services sector of the economy grew for the 77th consecutive month. This month's reading of 56.5 was an improvement from May's reading of 52.9. Importantly, several components are trending with faster rates of growth. These components include business activity and new orders. Employment, an important component, shifted to growing from contracting. The non-manufacturing report was released a week after its manufacturing counterpart which showed similar trends. Both reports are encouraging in that they illustrate the overall economy continues to move forward. The first data release this week was a disappointing one, as factory orders dropped 1.0%. This was below analyst expectations of a 0.8% decline, and snapped a two month positive streak. Durable goods orders dropped 2.3%, as mining and energy related equipment slid another 5.8% after a 20.8% decline last month.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18,146.74	1.10%	4.14%	3.60%
NASDAQ	4,956.76	1.94%	-1.01%	0.96%
S&P 500 LargeCap	2,129.90	1.28%	4.21%	4.07%
S&P 400 MidCap	1,520.42	1.35%	8.71%	2.33%
S&P 600 SmallCap	705.56	-0.65%	5.03%	-0.32%
iShares MSCI EAFE	55.25	-1.02%	-3.98%	-11.10%
iShares MSCI Emerging Markets	34.50	-0.53%	8.02%	-11.22%
Barclays Aggregate US		0.45%	6.01%	6.03%
Bloomberg Non-US Govt Bond		0.63%	10.97%	8.62%
Bloomberg US Treasury Index		0.50%	6.09%	6.61%
Bloomberg High Yield Index		0.51%	10.56%	3.49%
FTSE/NAREIT All REIT Index		1.13%	13.05%	16.90%
Bloomberg Commodity Index		-3.65%	9.98%	-11.69%
<b>KEY BOND RATES</b>		<b>WEEK</b>	<b>1 MO AGO</b>	<b>1 YR AGO</b>
3-Month T-Bill		0.28%	0.24%	0.02%
2-Year Treasury		0.61%	0.78%	0.55%
5-Year Treasury		0.95%	1.23%	1.50%
10-Year Treasury		1.37%	1.71%	2.22%
30-Year Treasury		2.11%	2.51%	2.99%
Municipal Bond Yields (10 Yr)		1.33%	1.56%	2.27%

Source data: Bloomberg and Morningstar are believed to be correct but not verified.

## UPCOMING WEEK

Next week will be filled with data releases, starting on Tuesday with the Labor Department's Job Openings and Labor Turnover Survey (JOLTS). Import and export prices and U.S. petroleum inventories are scheduled to be released on Wednesday. The U.S. Treasury's monthly account of the treasury budget is also scheduled to be announced. Jobless claims, along with the producer price index are scheduled to be released on Thursday. Forecasts for the producer price index predict growth from 0.4% in May to 0.2%. Friday will be a busy one with the consumer price index, retail sales report, and consumer sentiment report set to be released and looked at closely after a hiring increase in June calmed fears of an economic slowdown. The industrial production report and the Empire State Manufacturing Survey will also be announced.

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