



THE WEEK IN REVIEW

U.S. stocks traded in a narrow range this week on relatively light volumes as investors awaited Friday's release of the August employment report.

U.S. stocks and bond yields jumped after the weaker-than-expected employment report was released, but the gains were quickly reversed as investors reassessed the employment data's mixed signal. Although the labor market appears solid, this report was weaker than in recent months. The report may detract from the hawkish rate hike argument at this month's Federal Open Market Committee meeting. August nonfarm payrolls rose 151,000 and the unemployment rate held steady at 4.9%. Economists were expecting payrolls of 175,000 and a lower unemployment rate of 4.8%. The report showed payrolls for goods producing jobs, such as mining, construction, and manufacturing, down for the month. Service sector jobs were strong, including professional & business services and government jobs.

The U.S. manufacturing sector contracted in August after five months of expansion. The ISM Purchasing Manager's Index reading was 49.4 last month, down from 52.2 in July. A reading below 50 indicates contraction. The index stabilized this year after several weak months in late 2015 and early 2016. Over the past 12 months the index has averaged 50.3, barely in expansion territory. Cautious business spending and a strong U.S. dollar have weighed on the manufacturing sector over the last year.

The Consumer Confidence Index rose to 101.1 in August; the highest level since September 2015. Higher confidence is translating into more spending as consumer spending increased for a fourth straight month in July. Consumer spending rose 0.3% in July and is up 3.8% over the last year. The combination of strong confidence and spending shows consumers are feeling better about economic and employment conditions.

The International Trade report was released on Friday. Exports rose to the highest level in ten months, narrowing the U.S. trade deficit by 11.6% from June to \$39.5 billion. Major gains in foods, feeds and beverage exports were the biggest contributors to July's trade deficit contraction.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Consumer Spending	0.3%	1.1%	▼
PCE Price Index	0.0%	0.3%	▼
Consumer Confidence	101.1	92.4	▲
ISM Mfg Index	49.4	51.3	▼
Nonfarm Payrolls	151,000	24,000	▲
Unemployment Rate	4.9%	4.7%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18491.96	0.52%	6.12%	13.09%
NASDAQ	5249.90	0.59%	4.84%	10.53%
S&P 500 LargeCap	2179.98	0.44%	6.66%	11.79%
MSCI EAFE	1649.50	-0.47%	-1.27%	0.27%
Barclays Aggregate US		0.30%	5.84%	5.96%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.33%	0.28%	0.02%
10-Year Treasury	1.60%	1.55%	1.18%

REPORTS DUE NEXT WEEK	LATEST
ISM Non-Mfg Index	55.5
Job Openings (Million)	5.624

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

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