



THE WEEK IN REVIEW

U.S. equities opened the week with a strong performance, rallying the most in the previous two months. That rally quickly gave out on Tuesday as the S&P 500 returned to Monday morning levels; since then the week has been mostly flat. That same pattern was repeated with a run up on Thursday, then a retreat on Friday. Some of this volatility can be credited to comments from several Federal Reserve presidents hinting at a rate hike in September. The S&P 500 and Dow Jones Industrial Average performed roughly in line with each other. Meanwhile, the NASDAQ composite rallied 2.3%, driven by an 11% weekly gain in shares of iPhone-maker Apple, Inc.

Sales at U.S. retailers fell in August for the first time in five months amid weak purchases of automobiles and a range of other goods, a sign that Q3 growth might not be as strong as previously estimated. The Commerce Department announced retail sales had fallen a seasonally adjusted 0.3%, a bigger decline than the 0.1% drop in economists' forecast. Excluding automobiles, gasoline, building materials and food services, retail sales slipped 0.1% last month after a similar drop in July. Retail sales were up 1.9% in August from a year earlier, outpacing weak growth in consumer prices over the past 12 months, but sales growth slowed from July's annual increase of 2.4%. Consumer spending has been the primary driver of growth so far this year, expanding at more than double the pace of the overall economy during the first half of 2016.

U.S. producer prices were flat last month as a rise in core services offset a decline in goods prices. According to the Labor Department on Thursday, the unchanged reading in its PPI for final demand followed a 0.4% drop in July, the steepest pullback in nearly a year. From a year earlier, producer prices were also unchanged after a 0.2% decrease in the prior 12-month period. Excluding food and energy, wholesale prices rose 0.1% from the previous month following a 0.3% drop. Price pressures have yet to be felt as inflation continues to stay below the Fed's target range. The Fed will meet next week to consider whether to raise interest rates.

Despite retail sales falling short of expectations and PPI remaining unchanged, U.S. consumer prices increased more than expected in August as rising rents and healthcare costs offset a drop in gasoline prices. The Labor Department said on Friday CPI rose 0.2% last month after being unchanged in July. In the 12 months through August, CPI has increased 1.1% after advancing 0.8% in July. Core CPI, which strips out food and energy costs, rose 0.3% last month, the biggest increase since February, after gaining 0.1% in July.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Retail Sales	-0.3%	0.2%	▼
PPI	0.0%	0.3%	▼
Industrial Production	-0.4%	-0.2%	▼
CPI	0.2%	0.2%	-
Consumer Sentiment	89.8	93.5	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18123.80	0.21%	4.01%	8.27%
NASDAQ	5244.57	2.31%	4.74%	7.27%
S&P 500 LargeCap	2139.16	0.53%	4.66%	7.21%
MSCI EAFE	1676.17	-1.82%	-2.34%	-3.02%
Barclays Aggregate US		-0.10%	5.19%	5.64%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.34%	0.27%	0.05%
10-Year Treasury	1.67%	1.57%	2.29%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts	1,211k
Existing Home Sales	5.39M
MBA Mortgage Applications	4.2%
Markit Manufacturing PMI	52.0
Leading Economic Indicators	0.4%

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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