



THE WEEK IN REVIEW

The three major U.S. large cap equity averages all declined in the last full week of October. Mixed economic reports and some weakness in third quarter earnings seemed to pressure U.S. stocks. The FBI's announcement that the Hillary Clinton email case will be reopened sparked the most negative momentum of the week in the major averages during Friday's session. The benchmark U.S. ten-year Treasury bond yield rose to a five-month high of 1.85% on Thursday as investors began to more fully discount a Fed rate hike in December. Meanwhile, crude oil prices declined approximately 3.5% during the week ahead of Saturday's OPEC meeting in Vienna to discuss a plan to reduce global output that has risen to about 12% since the beginning of 2014.

The headline economic release of the week was the first estimate of third quarter U.S. GDP, which showed the world's largest economy grew at an annualized rate of 2.9% in the quarter ending September 30. While the headline reading was strong, it wasn't very broad based, as inventory building and a surge in soybean exports contributed a significant portion of the difference between the reported number and the median economist forecast. Consumer spending, which accounts for roughly 70% of U.S GDP, grew during the quarter at a weaker-than-expected annualized rate of 2.1%.

In the housing sector, sales of new homes surged in September to their highest level since early 2008. New home purchases rose to a 593,000 annualized rate in the final month of third quarter, indicating that the residential real estate market appears relatively healthy approaching winter. Overall home prices across the U.S. increased by 5.1% from August 2015 to August 2016 as reported by the S&P CoreLogic Case-Schiller Index that measures home prices in 20 cities across the nation. Portland and Seattle showed the largest year-over-year increase of 11.7% and 11.4%, respectively. On the other side of the ledger, Atlanta and Chicago saw declines of 0.1%. On average, home prices in the U.S. have been increasing by about 5.0% per year since the second half of 2014.

On the corporate earnings front, nearly 35% of S&P 500 companies reported third quarter results this week. Some of the most well received earnings releases belonged to technology companies in the communications equipment and microprocessor industries and energy sector companies. Conversely, some of the worst received results could be found in certain areas of the retail and healthcare distribution industries. About halfway through earnings season (273 S&P 500 companies have reported as of Friday, September 28), 78% of companies have reported better-than-expected earnings per share, while 57% of companies have reported better-than-expected sales.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Consumer Confidence	98.6	96.7	▲
New Home Sales (Thousands)	593	558	▲
GDP	2.9%	1.4%	▲
Consumer Sentiment	87.2	90.0	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18161.19	-0.34%	4.22%	2.15%
NASDAQ	5190.11	-2.25%	3.65%	1.85%
S&P 500 LargeCap	2126.41	-1.14%	4.03%	1.73%
MSCI EAFE	1667.18	-0.32%	-2.86%	-6.16%
Barclays Aggregate US		-0.40%	4.91%	4.01%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.28%	0.27%	0.04%
10-Year Treasury	1.85%	1.57%	2.10%

REPORTS DUE NEXT WEEK	LATEST
PCE Core YoY	1.7%
ISM Manufacturing	51.5%
Consumer Spending	0.0%
ISM non-manufacturing	57.1%
Unemployment rate	5.0%

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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