



THE WEEK IN REVIEW

This week was heavy on economic data releases, with the Federal Open Market Committee (FOMC) meeting leading the way. Despite the noise, the S&P 500 index finished relatively flat for the week closing up 0.1%. The technology heavy Nasdaq closed down 0.9%, dragged down by sell offs of mega-cap tech stocks such as Apple, Inc. (AAPL) and Google parent Alphabet, Inc. (GOOGL). The dollar was able to trim some of its losses earlier in the week after the Fed's decision to raise its benchmark policy interest rate.

The Federal Reserve announced its third rate hike in the last six months, even though inflation is running below the central bank's target. The new benchmark policy rate range is now 1.00% to 1.25%. The recent economic data has caused the FOMC to decrease their median projection for core inflation to 1.6% in 2017, down from the 1.9% forecast in March. The members of the FOMC continue to try to understand contradictory signals from the labor market and inflation. The Fed also provided details on how they intend to reduce their \$4.5 trillion balance sheet this year. The balance sheet normalization program is contingent upon the economy continuing to evolve as the Fed expects. Minutes from the meeting showed that officials had already discussed setting a limit each month on the amount that the balance sheet will shrink. Lastly, the "dot plot" data from this week's FOMC meeting showed a median expectation of another three quarter-point rate increases in 2018.

In a U.S. Bureau of Labor Statistics report released on Tuesday, the seasonally adjusted Producer Price Index (PPI) for final demand was unchanged for the month of May, following a strong 0.5% increase for the month of April. When excluding food and energy prices, producer prices increased 0.3%, which comes in at the upper range of consensus estimates. Services increased 0.3% for the month, which was primarily linked to producers benefitting from lower energy prices rather than increased demand. Year-over-year figures show a 2.4% increase in overall PPI, with a rate of 2.1% when excluding food and energy prices.

On Friday morning, Amazon.com Inc. (AMZN) announced that it would purchase Whole Foods Market Inc. (WFM) in an all-cash deal with a price tag of \$13.7 billion. This equates to a price of \$42 per share of WFM, a 27% premium to the closing price on Thursday. John Mackey, Whole Foods co-founder, will remain on as CEO. This strategic acquisition will provide Amazon with a network of 450 Whole Foods stores, and could propel Amazon's fresh grocery delivery business. Shares of grocery chains, already feeling the competitive pressures in the thin margin industry, fell abruptly after the deal was announced and continued to trade lower throughout the morning.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Producer Price Index (YoY)	2.4%	2.2%	▲
Consumer Price Index (YoY)	1.9%	2.7%	▼
Retail Sales (MoM)	-0.30%	-0.20%	▼
Housing Starts (millions)	1.092	1.288	▼
U. of Mich. Consumer Sentiment	94.5	96.9	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21384.28	0.53%	8.21%	20.59%
NASDAQ	6151.76	-0.90%	14.28%	26.97%
S&P 500 LargeCap	2433.15	0.06%	8.68%	17.09%
MSCI EAFE	1877.04	-0.84%	11.46%	19.65%
Barclays Aggregate US	2028.49	0.22%	2.64%	0.56%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.00%	0.90%	0.25%
10-Year Treasury	2.15%	2.33%	1.58%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (millions)	5.57
New Home Sales	569,000
Leading Economic Indicators Index	0.3%

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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