FINANCIAL MARKET UPDATE
7/28/17

THE WEEK IN REVIEW

This week featured a multitude of economic data including the Federal Open Market Committee's (FOMC) statement and interest rate decision from its July meeting and the initial second quarter GDP reading leading the headlines. Despite the significant headlines, the S&P 500 Index finished almost exactly flat for the week. The technology-heavy NASDAQ Composite declined -0.2% following another tech sell-off on Thursday. Shares of Netflix, Apple and Facebook each dropped over 2.5% from their mid-day levels on Thursday to the close of the trading session. On Friday, shares of Amazon fell 2.5% after the internet retail giant's quarterly profit fell 77%. CFO Brian Olsavsky, cited significant investments in strategic businesses as the reason for the drop in profit. The increase in trading caused Wall Street's "fear gauge", the CBOE Volatility Index, to rise 10.0% to 10.3, the first closing above 10 in the past ten trading sessions.

Following their July meetings, the FOMC unanimously decided to hold rates steady with the target fed funds rate remaining at 1.00% to 1.25%. For the second meeting in a row, inflation proved to be the soft spot in the economic data, as the FOMC's statement described core inflation as "declining". The general economic outlook remained unchanged with solid employment gains, and increases in both household spending and business investment. The statement made by the FOMC did not offer much additional insight into the tapering of the $4.5 trillion Fed balance sheet, only suggesting that it will likely begin "relatively soon", which was perceived to be as early as September or December of 2017.

The first estimate for the second quarter GDP growth was released on Friday, in line with the consensus estimate of an annualized figure of 2.6%. Business investment was strong, growing at a 5.2% clip. The consumer spending component came in at an annualized growth rate of 2.8%, with strong growth in durables despite weakness in vehicle sales. Inflation data was weak for the quarter, coming in at only 1.0%. Core inflation was similarly weak at 1.1%. In the report, first quarter GDP saw a slight downward revision from 1.4% to 1.2% driven by decreases in fixed investment and inventories.

Existing home sales fell 1.8% in June to a lower-than-expected annualized rate of 5.52 million. After the reading, year-over-year sales are now up only 0.7%, the lowest reading since February. Prices remain high as the median price reached $263,800, up 6.5% from a year ago. Rising prices, short supply, and stagnant wages appear to be offsetting favorable mortgage rates and holding back sales of existing homes. However, new home sales have been stronger in recent months, reaching a 610,000 annualized rate in June. This is the fourth month in 2017 in which new home sales are above 600,000, putting sales on track for the best performing year since 2007.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Millions Annualized)	5.5	5.7	▼
New Home Sales (Thousands Annualized)	610	638	▼
GDP (Annualized)	2.6%	1.2%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21830.31	1.16%	10.46%	18.28%
NASDAQ	6374.68	-0.20%	18.42%	23.66%
S&P 500 Large Cap	2472.10	-0.02%	10.42%	13.92%
MSCI EAFE	1936.45	0.46%	14.99%	16.78%
Barclays Aggregate US		-0.35%	2.58%	-0.38%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.07%	1.00%	0.24%
10-Year Treasury	2.29%	2.23%	1.50%

REPORTS DUE NEXT WEEK	LATEST
ISM Manufacturing Index	57.8
ISM Non-Manufacturing Index	57.4
International Trade Balance (Billions)	-46.5

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