

THE WEEK IN REVIEW

Turbulence emerged across most risk asset markets this week after a steady upward climb for the last seven months. Beginning Tuesday afternoon and accelerating into Wednesday, investors sold stocks worldwide in response to a series of public warnings between the North Korean government and President Trump regarding the isolated regime in Pyongyang's increasingly aggressive missile tests. In the U.S. the S&P 500 Index declined 1.4%, erasing all gains from the previous three weeks. Meanwhile, the thirty-stock blue-chip Dow Jones Industrial Average fared slightly better, as investor demand for consumer-oriented components McDonald's Corp., Home Depot, Inc. and Procter & Gamble Co. helped keep the benchmarks' weekly loss to 1.1%. In commodity markets, U.S. crude oil prices dipped 1.9% to close below \$49 per barrel, while gold prices advanced 2.4% against a more volatile market backdrop. In the U.S. bond market, investors bid up prices of government debt, as yields on the benchmark U.S. ten-year note fell 0.09% to close at 2.19%.

Thirty-four S&P 500 Index companies reported their most recent quarterly results this week, led by a mixed batch from notable, embattled retailers including Kohl's Corp., Macy's Inc. and Nordstrom Inc. With approximately 85% of S&P 500 second quarter earnings complete, the trends remain strong. Corporate profits in the second quarter have beaten estimates for more than three quarters of S&P 500 companies. Strengthening foreign sales and overseas demand helped drive multinational U.S. companies' sales and profits. Meanwhile, a weakening dollar has also been a boon for U.S. multinationals, as it makes American exports cheaper and increases the dollar value of international sales. The S&P 500 technology sector had a particularly strong earnings season, with 94% of companies that reported as of today surpassing Bloomberg earnings-per-share estimates.

Inflation data releases were the headliners this week on the economic front. On Thursday, the July Producer Price Index (PPI) numbers were reported. The PPI is used as gauge for the change in prices received by domestic producers of goods and services. The report came in below consensus for July at -0.1% and 1.9% year over year. Services were the greatest concern in this report with overall services down 0.2%. Trades services were down 0.5%, largely due to price weakness for chemicals and machinery. On the consumer side of inflation, the Consumer Price Index (CPI) reported a 0.1% increase for July and 1.7 % year over year. Vehicle sales continued to show weakness, down 0.5% for the month. Lodging prices were 4.2% lower as hotels cut prices. Medical care costs continued to rise, up 0.4% for the month. The recent weakness in inflation has cast doubts of the Federal Reserve's ability to unwind its balance sheet and tighten monetary conditions if inflation remains consistently below the Federal Reserve's 2.0% target rate.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Producer Price Index (YoY)	1.9%	2.5%	▼
Consumer Price Index (YoY)	1.7%	2.2%	▼
Jobless Claims (Thousands)	244	236	▲
Crude Oil Inventories (Millions)	-6.5	-5.2	▼
Nonfarm Productivity (Y/Y)	1.2%	1.2%	-

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21858.32	-1.06%	10.60%	17.43%
NASDAQ	6256.56	-1.50%	16.23%	19.66%
S&P 500 Large Cap	2441.32	-1.43%	9.04%	11.69%
MSCI EAFE	1927.41	-1.04%	14.45%	12.82%
Barclays Aggregate US		0.17%	3.06%	0.20%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.03%	1.04%	0.28%
10-Year Treasury	2.19%	2.36%	1.56%

REPORTS DUE NEXT WEEK	LATEST
Housing Starts (Millions)	1.215
Industrial Production (M/M Change)	0.4%
Retail Sales (M/M Change)	-0.2%

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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