FINANCIAL MARKET UPDATE
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Citizens
TRUST AND INVESTMENT CORPORATION

## THE WEEK IN REVIEW

In the face of mixed economic data releases and more political controversy in Washington, domestic equity indexes ended the week with only moderate losses. Fears of a military conflict between the United States and North Korea subsided early in the week. Then, investor uncertainty increased on Thursday in reaction to remarks from President Trump regarding last weekend's violence in Virginia, rumors about key Cabinet member resignations and Thursday's terrorist attacks in Barcelona. In bond markets, the yield on the U.S. 10-year Treasury note pushed higher earlier in the week, touching 2.27% Tuesday, before dipping to 2.19% on Friday to close the week with little overall change.

Retail sales bounced back in July following weaker-than-expected readings in April, May and June. July sales appeared to be boosted by Amazon Prime Day and an increase in demand for autos. Sales grew 0.6%, beating expectations of a 0.4% gain after falling in June. July's reading was the highest since December, as Americans spent more on almost all goods, with clothes, gasoline, and sales at electronics stores as detractors.

Housing data released this week were disappointing, as housing starts fell 5.6% relative to July 2016, and 4.8% compared to June. The seasonally adjusted annual rate of 1.16 million units missed forecasts of around 1.23 million. Housing permits fell 4.1% versus June, although they still rose 4.1% compared with July 2016. On a year-to-date basis, housing starts are about 2.5% higher than they were last year, while building permit applications are up 5.6%.

A positive note for the week was continued strength in the domestic labor market as jobless claims decreased by 12,000 to 232,000. This marked the lowest level of jobless claims since the last week of February which had a reading of 227,000 – the lowest level in the data series since November 1973. This dragged the less volatile four-week average down to 240,500 from 241,000, and marked the 128th consecutive week below the key 300,000 mark.

Industrial production in July expanded again but at a smaller rate, as car makers dragged down output once again. Utilities production was the biggest gainer, rising 1.6% to offset a major disappointment in June. Mining output also rose for the fourth consecutive month but manufacturer output fell 0.1%, marking a third decrease in five months which was largely due to auto production falling 3.5%.

Minutes from July's FOMC meeting were released on Wednesday and indicated committee members remain divided on additional rate hikes later this year, with some members concerned about recent softness of inflation data. FOMC Chair Janet Yellen's preferred measure of inflation, year-over-year core-PCE, was just 1.5% in June which is well below the central bank's stated 2.0% target. One area of agreement was the need to reduce the Fed's $4.5 trillion balance sheet "relatively soon", with an update in September widely expected. Fed futures currently price in about a 50% chance for a rate hike before the end of the year, and almost no chance in September.

| ECONOMIC INDICATOR | LATEST | 3MO PRIOR | CHANGE |
|---|---|---|---|
| Housing Starts (Millions Annualized) | 1.16 | 1.15 | ▲ |
| Industrial Production (M/M Change) | 0.2% | 0.9% | ▼ |
| Retail Sales (M/M Change) | 0.6% | 0.3% | ▲ |

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|---|---|---|---|---|
| DJ Industrial Average | 21674.51 | -0.84% | 9.67% | 16.54% |
| NASDAQ | 6216.53 | -0.64% | 15.48% | 18.63% |
| S&P 500 Large Cap | 2425.55 | -0.65% | 8.34% | 10.91% |
| MSCI EAFE | 1926.32 | 0.50% | 14.39% | 12.79% |
| Barclays Aggregate US | | 0.07% | 3.21% | 0.06% |

| KEY BOND RATES | WEEK | 1MO AGO | 1YR AGO |
|---|---|---|---|
| 3-Month T-Bill | 0.99% | 1.05% | 0.29% |
| 10-Year Treasury | 2.19% | 2.26% | 1.54% |

| REPORTS DUE NEXT WEEK | LATEST |
|---|---|
| New Home Sales (Thousands Annualized) | 610 |
| Existing Home Sales (Millions Annualized) | 5.52 |
| Durable Goods Orders | 6.4% |

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