

## THE WEEK IN REVIEW

The impact of Tropical Storm Harvey caused shares of energy and insurance companies to weigh on the U.S. stock market early in the week, but upbeat economic data boosted the market later in the week. Energy and insurance stocks fell Monday and Tuesday as the storm forced almost a quarter of U.S. oil refiners to close. Analysts estimate the economic cost from flood and wind damage could be tens of billions of dollars, making Harvey one of the most costly natural disasters in U.S. history. On the international front, the markets received another jolt Tuesday morning when North Korea fired a missile over Japan. This latest incident caused investors to seek out safe haven assets, which led to the U.S. 10-year Treasury yield falling to a 2017 low of 2.09% that morning, before recovering later in the session.

According to the Conference Board, consumer confidence currently stands at its second highest level since 2000. Both the current conditions and expectations components showed improvement from the prior month, with the former rising to 151.2, its highest level since July 2001. After initially estimating that gross domestic product increased 2.6% during the second quarter, the Commerce Department's second estimate shows the economy likely expanded at 3% during that time. The upward revision was largely driven by consumer spending and nonresidential fixed investment.

Despite the high level of consumer confidence, GDP growth, and the relatively tight labor market in the U.S., core inflation remains subdued, and actually seems to be trending away from the Fed's inflation target of 2%. The Personal Consumption Expenditure Core Price Index, the Fed's preferred measure of inflation, showed that prices in July had only increased 1.4% over the prior twelve months. While the Fed has failed to reach its inflation target since it began raising rates, financial conditions have actually grown looser, which has driven a debate among members of the Federal Open Market Committee (FOMC) about raising rates further. It appears that roughly half of the members want to wait to see inflation begin trending towards two percent again before raising rates, while the other half wants to continue raising rates. Based on data from the futures market, investors appear to believe that the FOMC will be forced to delay their pace of rate hikes.

Friday's August employment report was mildly disappointing, with growth of payrolls and wages slowing more than expected. Payrolls grew 156,000 versus analysts' expectations of 180,000. Wages barely grew in August, up just 0.1%, and the unemployment rate ticked up to 4.4% from 4.3% in July. There may be a seasonal bias in August employment data since the month has been unusually weak the last three years. Tropical Storm Harvey did not impact the report as the storm hit after the survey period.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-Farm Payrolls	156,000	145,000	▲
Unemployment Rate	4.4%	4.3%	▲
Conf. Board Consumer Confidence	122.9	117.6	▲
ISM Manufacturing	58.8	54.9	▲
Core PCE Index (YoY)	1.4%	1.6%	▼
Real GDP (QoQ Annualized)	3.0%	1.2%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21987.56	0.80%	11.26%	19.37%
NASDAQ	6435.33	2.71%	19.55%	23.11%
S&P 500 Large Cap	2476.55	1.37%	10.62%	14.08%
MSCI EAFE	1930.82	0.16%	14.66%	13.95%
Barclays Aggregate US		0.25%	3.63%	0.51%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.00%	1.07%	0.32%
10-Year Treasury	2.16%	2.25%	1.57%

REPORTS DUE NEXT WEEK	LATEST
ISM Non-Manufacturing	53.9
Initial Jobless Claims (Thousands)	236
Trade Balance	-43.64

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

Opinions herein are as of the publication date; and are subject to change without notice, they are not statements of facts and may include "forward-looking statements" which may or may not be accurate over the long term. The week is calculated beginning with Monday's market open. Report includes candid statements and observations regarding investment strategies, asset allocation, individual securities, and economic and market conditions. Statements, opinions or forecasts not guaranteed. Do not place undue reliance on forward-looking statements. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Indices and sector statistics are unmanaged and are a common measure of performance of their respective asset classes. Indices are not available for direct investment. Past performance is not indicative of future results. The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur. Investing for short periods may make losses more likely. Not a deposit, not FDIC insured, may lose value, not bank guaranteed, not insured by any federal government agency.