Citizens TRUST AND INVESTMENT CORPORATION

FINANCIAL MARKET UPDATE
9/8/17

THE WEEK IN REVIEW

The three major U.S. equity averages all gave back some of their gains from last week in the holiday-shortened first week of September. The S&P 500 Index, Dow Jones Industrial Average and NASDAQ Composite were unable to shake off Tuesday's negative sentiment following a three-day weekend which saw rising tensions on the Korean peninsula and Hurricane Irma on a path towards a Florida landfall. Despite this week's moderate losses, all three benchmarks have rallied at least 10.0% year to date through today's close. In a surprise deal, President Trump agreed with Senate Minority leader Schumer and House Minority leader Pelosi to extend the federal debt ceiling by three months in combination with implementation of a $7.4 billion federal disaster relief fund.

In bond markets, yields on the benchmark 10-Year U.S. Treasury note touched their lowest levels of the year at 2.01% Friday morning, following New York Federal Reserve President William Dudley's acknowledgement that Hurricanes Harvey and Irma "…could have effect on the timing of short-term rate increases…" U.S. crude oil prices closed the week nearly flat at $47.56 a barrel following a brief advance above $49.00 a barrel as refineries and pipelines resumed operation in south Texas. In currency markets, the trade-weighted dollar extended a downward trend this week which has been in place for the entire year. Better economic growth in the euro zone and Japan, weak domestic inflation and wage growth, and lowered expectations for meaningful pro-growth fiscal reform from Washington have combined to pressure the greenback in 2017.

European Central Bank (ECB) head, Mario Draghi, announced the ECB cut inflation forecasts for 2018 from 1.3% to 1.2%. Additionally, the ECB raised growth expectations for the euro zone economy to 2.2% in 2017, up from a previous figure of 1.9%. The ECB left interest rates and their bond-buying program unchanged at their September meeting, however, Draghi signaled the ECB is likely to have an announcement with regards to phasing out the bond-buying program following their next meeting scheduled for October 26.

Turning to domestic economic data releases, the ISM Non-Manufacturing Index registered a reading of 55.3 for the month of August, coming in near the midpoint of the consensus range. All four components of the index registered strong figures, led by new orders and business activity at 57.1 and 57.5, respectively. The PMI services Index registered a similarly strong August, posting a figure of 56.0, the strongest reading since November of 2016.

As clean-up efforts begin for those in areas affected by Hurricane Harvey, eyes cautiously watch the path of Hurricane Irma as it barrels towards Florida, already leaving in its path vast destruction in the Caribbean. As storm preparations continue, mandatory evacuations starting in the Florida Keys and Miami-Dade County continue to expand across heavily populated areas. Irma, the strongest storm in recent years to form in the open Atlantic, is expected to make landfall in the U.S. early Sunday morning with very early estimates of economic losses ranging from $135 billion to $200 billion.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Non-Manufacturing	55	57	▼
Initial Jobless Claims (Thousands)	298	245	▲
Trade Balance (Billions)	-43.7	-47.4	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	21797.79	-0.86%	10.30%	17.95%
NASDAQ	6360.19	-1.17%	18.15%	20.93%
S&P 500 Large Cap	2461.43	-0.61%	9.94%	12.84%
MSCI EAFE	1948.88	0.54%	15.73%	12.46%
Barclays Aggregate US		0.49%	3.95%	1.03%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.04%	1.04%	0.34%
10-Year Treasury	2.05%	2.26%	1.60%

REPORTS DUE NEXT WEEK	LATEST
Producer Price Index (YoY)	1.9%
Consumer Price Index (YoY)	1.7%
Retail Sales (MoM)	0.6%

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