FINANCIAL MARKET UPDATE
9/22/17

Citizens TRUST AND INVESTMENT CORPORATION

THE WEEK IN REVIEW

U.S. equity indexes traded in a narrow range this week as stocks had muted reactions to headline events including the Federal Reserve's September meeting and renewed tensions with North Korea. Apple Inc., the largest holding in the S&P 500 Index, weighed on the U.S. stock market. Shares of the technology giant fell over 5.0% this week amid mixed reviews for the iPhone 8 and reports of cellular connectivity issues with its new watch. U.S. Treasury bond prices fell slightly, as yields on the 10-Year U.S. Treasury note climbed 0.06% to finish the week at 2.26%. This marks its highest weekly closing level since July 28, but is still significantly lower than the 2017 closing high of 2.63% on March 13.

The Federal Reserve on Wednesday set the stage for a balance-sheet reduction that marked a path towards normalizing the nation's monetary policy. In a statement published Wednesday afternoon, the Fed cited a labor market that has "continued to strengthen" and economic activity that has "been rising moderately so far this year" in its assessment that the U.S. stands on solid footing for the Fed to begin trimming its $4.5 trillion balance sheet. The gradual unwinding of the nearly ten year old stimulus program is expected to start in October, with the Fed planning to shrink its balance sheet by up to a combined $10 billion of Treasury bonds and mortgage-backed securities each month. This amount will increase until $50 billion per month is shed from the Fed's books.

The Senate passed the annual defense policy bill this week, raising defense spending to $700 billion, slightly above the Trump administration's proposed military spending. The Senate's bill will head to the House-Senate conference committee next to resolve differences between the House and Senate bills before sending the legislation to the president. Defense stocks responded favorably to the legislation. The S&P 500 Aerospace and Defense industry index gained close to 3.0% this week.

U.S. homebuilding fell for a second straight month in August as a rebound in the construction of single-family homes was offset by weakness in the volatile multifamily home segment. Housing starts slipped 0.8% to a seasonally adjusted annual rate of 1.18 million units according to the Commerce Department. U.S. home resales also fell to their lowest level in a year in August as Hurricane Harvey depressed activity in Houston. A persistent shortage of properties on the market also sidelined buyers. Existing home sales decreased 1.7% to a seasonally adjusted annual rate of 5.35 million units last month. This marks the third straight monthly decline in sales reported by the National Association of Realtors (NAR), and the lowest level since August 2016. The NAR stated that Harvey, which struck Texas in the last week of August, resulted in Houston-area sales falling 25% on a year-over-year basis. Excluding the Houston metropolitan area, existing home sales would have been unchanged in August.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Housing Starts (Millions Annualized)	1.18	1.13	▲
Existing Home Sales (Millions Annualized)	5.35	5.62	▼
Building Permits (Millions Annualized)	1.30	1.17	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	22349.59	0.36%	13.09%	21.51%
NASDAQ	6426.92	-0.33%	19.39%	20.37%
S&P 500 Large Cap	2502.22	0.08%	11.76%	14.93%
MSCI EAFE	1969.27	0.25%	16.94%	13.96%
Barclays Aggregate US		-0.23%	3.15%	0.23%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.02%	1.00%	0.17%
10-Year Treasury	2.26%	2.21%	1.62%

REPORTS DUE NEXT WEEK	LATEST
New Home Sales (Thousands Annualized)	571
Conf. Board Consumer Confidence	122.9
Durable Goods Orders	-6.8%
Core PCE Index (YoY)	1.4%
Personal Spending	0.3%

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