Citizens TRUST AND INVESTMENT CORPORATION

FINANCIAL MARKET UPDATE
9/29/17

THE WEEK IN REVIEW

The S&P 500, NASDAQ Composite and Russell 2000 Index touched all-time closing highs this week, as the eight-and-a-half year bull market forged ahead. On Tuesday, Federal Reserve chair Janet Yellen delivered the keynote address at an economic policy conference in Cleveland in which she stated, "low inflation likely reflects factors whose influence should fade over time." Yellen repeated she expects inflation to return to the Fed's 2.0% target rate as further labor market tightening brings wage increases. As such, she reiterated her view that it would be imprudent to delay monetary tightening until inflation is back at 2.0%. The Fed chair's comments likely helped push yields on the ten-year U.S Treasury briefly above 2.35% on Thursday. She acknowledged, however, that the muted wage growth of recent years is tied to low productivity growth. Finally, she confirmed that the central bank will gradually begin to unwind its $4.5 trillion balance sheet in October.

U.S. economic growth was revised higher for the second quarter to an annualized growth rate of 3.1% up from the prior 3.0% annualized rate. The 3.1% growth rate is the fastest pace since the first quarter of 2015. The revisions to growth came from stronger-than-expected consumer spending, led by outlays on housing, utilities, prescription drugs and cellphone services. Nonresidential fixed investment was up 6.7%, offsetting a 7.3% decline in residential investment. The current pace would need to be sustained or surpassed in the third and fourth quarters in order to achieve 3.0% growth for all of 2017. Analysts currently anticipate a weak reading for third quarter GDP followed by a rebound in the autumn and winter quarters as the effects of the recent hurricanes dissipate. Initial claims for state unemployment benefits increased 12,000 to a seasonally adjusted 272,000 for the week ended September 23. In states most affected by the recent storms, unadjusted claims for Florida rose by 8,160 last week, while filings in Texas fell by 8,218.

New home sales fell sharply for the month of August to a 560,000 annualized rate versus 571,000 in July and 614,000 in June. Sales in the Southern U.S. fell 4.7%, while those in the West and Northeast were down 2.6% and 2.7%, respectively. The weakness looks likely to extend into September as the effect of recent hurricanes continues to impact the South.

U.S. durable goods orders increased 1.7% in August versus a 1.0% expected increase. New orders for capital goods increased more than expected in August while shipments maintained their upward trend, pointing to strength in the economy. Business spending on equipment added roughly 0.5% to GDP in the third quarter, the most in two years. Capital expenditures have been driven by the energy sector, where oil and gas drilling has bounced back after falling due to the decline in crude oil prices. Business spending could advance further depending on the Trump administration's overhaul of the tax code.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
New Home Sales (Thousands)	560	606	▼
GDP (Annualized)	3.1%	1.2%	▲
Initial Jobless Claims (Thousands)	272	244	▲
Conf. Board Consumer Confidence	119.8	117.3	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	22405.09	0.25%	13.37%	23.49%
NASDAQ	6495.96	1.07%	20.67%	23.28%
S&P 500 Large Cap	2519.36	0.68%	12.53%	17.12%
MSCI EAFE	1963.44	-0.72%	16.59%	15.05%
Barclays Aggregate US		-0.09%	3.15%	-0.16%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.04%	1.01%	0.25%
10-Year Treasury	2.34%	2.13%	1.56%

REPORTS DUE NEXT WEEK	LATEST
ISM Manufacturing	58.8
Non-Farm Payrolls (Thousands)	156
Initial Jobless Claims (Thousands)	272

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