Weekly Market Update

General Market News

- Treasury yields were lower across the long end of the curve last week, with the 10-year at 2.01 percent and the 30-year back to pre-election levels at 2.63 percent. The 10-year Treasury opened Monday at 2.09 percent and the 30-year opened at 2.71 percent. It seems for now that the Federal Reserve (Fed) will be on hold in terms of raising rates; with the Fed funds at 1.25 percent, the curve is quite flat.

- All three major U.S. markets were down on the week as uncertainty loomed from North Korea's hydrogen bomb test and the U.S. suffered damage from hurricanes Harvey and Irma. The Nasdaq Composite led the move down, dropping 1.16 percent due to poor performance in the technology sector. The Dow Jones Industrial Average and S&P 500 followed, posting losses of 0.82 percent and 0.58 percent, respectively.

- Additional points of unease were the resignation of Fed Vice Chair Stanley Fischer and the passage of a new U.S. budget deal to extend the debt ceiling for three more months. The debt-ceiling deal transpired when President Donald Trump worked with Democrats for the first time to get legislation approved. This move came under fire from many Republicans, including Speaker of the House Paul Ryan, who wanted a longer-term deal.

- The health-care sector continued to lead the way last week, with energy and utilities following behind as oil prices moved higher. The worst-performing sectors on the week included telecom, financials, and materials.

- There were two important data releases last week. On Tuesday, durable goods orders data for August was released. For the second month in a row, this measure of business confidence declined due to a fall in aircraft orders. The core figure, which excludes airline sales, rose by a healthy 0.6 percent, however. This was also the second month in a row where core orders increased while headline figures disappointed.

- On Wednesday, the Institute for Supply Management (ISM) nonmanufacturing composite increased following a surprise decline in July. Given the recent strength in the manufacturing portion of this survey, this increase was quite favorable. Historically, ISM surveys at today's levels have been linked to 4-percent annualized gross domestic product growth.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–0.58	–0.38	11.51	15.19
Nasdaq Composite	–1.16	–1.05	19.13	22.42
DJIA	–0.82	–0.64	12.29	20.92
MSCI EAFE	0.84	1.24	18.98	16.44
MSCI Emerging Markets	0.04	0.38	29.08	20.76
Russell 2000	–0.98	–0.39	4.01	12.73

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.27	3.92	1.30
U.S. Treasury	0.37	3.52	0.04
U.S. Mortgages	0.18	2.74	1.05
Municipal Bond	0.30	5.51	1.00

Source: Morningstar Direct

What to Look Forward To

We'll see a wide range of economic news this week. We'll get a good look at consumer behavior, manufacturing, and the economy as a whole. These combined factors will influence the Fed's decision on when to raise rates.

On Thursday, the Consumer Price Index will be released, giving us a look at inflation. The headline index, which includes food and energy, is expected to rise 0.3 percent in August, largely due to a spike in gas prices after Hurricane Harvey. This will take the annual inflation rate from 1.7 percent to 1.8 percent, which is closer to the Fed's 2-percent target. There may be some upside risk to this number. Core prices, which exclude energy and food, are expected to rise a more modest 0.2 percent for the month. On an annual basis, however, core prices are expected to decline from 1.7 percent to 1.6 percent. Core prices are a better signal for underlying economic conditions because energy and food prices can be volatile, although a decrease could raise the Fed's concern about low inflation.

On Friday, headline retail sales are expected to slow from 0.6 percent in July to 0.1 percent in August due to a decline in auto sales. The core figure, which excludes auto sales and is a better indicator for underlying trends, is expected to remain steady at 0.5-percent growth. There could be

What to Look Forward To (continued)

some upside to these results, as consumer confidence is high, and buying ahead of the hurricanes may have driven sales higher.

Industrial production is expected to decline modestly, from 0.2-percent growth in July to 0.1-percent growth in August. This decline can be attributed to low utilities output. Manufacturing growth is expected to increase strongly from negative to 0.5-percent growth, as exports continue to rise on the weak dollar. This growth would align with the improved Institute for Supply Management nonmanufacturing survey, which would be a boon for the economy.

Finally, the University of Michigan Consumer Confidence survey is expected to decline from 96.8 to 96.6. There may be some downside risk due to the hurricanes and rising gas prices, but the overall confidence level is likely to remain strong, indicating a robust economy.

Authored by the Investment Research team at Commonwealth Financial Network.