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# WEEKLY MARKETSNAPSHOT

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CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

July 29, 2016

## MARKET COMMENTARY BY SCOTT J. BROWN, PH.D., CHIEF ECONOMIST

As expected, the Federal Open Market Committee left short-term interest rates unchanged. In its policy statement, the FOMC noted that “on balance, payrolls and other labor market indicators point to some increase in labor utilization in recent months.” More importantly, “near-term risks to the economic outlook have diminished.” Kansas City Fed President Esther George dissented in favor of raising the federal funds target range by 25 basis points (to 0.50% to 0.75%).

Real GDP rose at a 1.2% annual rate in the advance estimate for 2Q16, much weaker than anticipated, reflecting a sharp slowing in inventory growth. In fact, inventory growth turned negative (for the first time since 3Q11). Final Sales (GDP less the change in inventories) rose at a 2.6% annual rate. Consumer spending rose at a 4.2% pace (a 2.9% average for the first half of the year). Most other components were soft.

Next week, the economic calendar will be busy. The ISM surveys for July will help to fill in the picture for early 3Q16. Global investors will look to the Bank of England to ease monetary policy ahead of an expected drag from Brexit. The July Employment Report will help set near-term expectations for the economy and Fed policy. Nonfarm payrolls were choppy in May and June (reflecting statistical uncertainty), but the underlying trend has slowed (likely due to both greater caution in hiring and a tighter job market). Seasonal adjustment will be tricky (due to the end of the school year).

### Indices

	Last	Last Week	YTD return %
DJIA	18422.73	18517.23	5.73%
NASDAQ	5160.89	5073.90	3.06%
S&P 500	2168.64	2165.17	6.10%
MSCI EAFE	1658.16	1657.14	-3.39%
Russell 2000	1215.34	1203.86	6.99%

### Consumer Money Rates

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	Last	1 year ago
Prime Rate	3.50	3.25
Fed Funds	0.30	0.14
30-year mortgage	3.39	3.98

### Currencies

	Last	1 year ago
Dollars per British Pound	1.316	1.560
Dollars per Euro	1.108	1.098
Japanese Yen per Dollar	105.27	123.94
Canadian Dollars per Dollar	1.316	1.295
Mexican Peso per Dollar	18.893	16.291

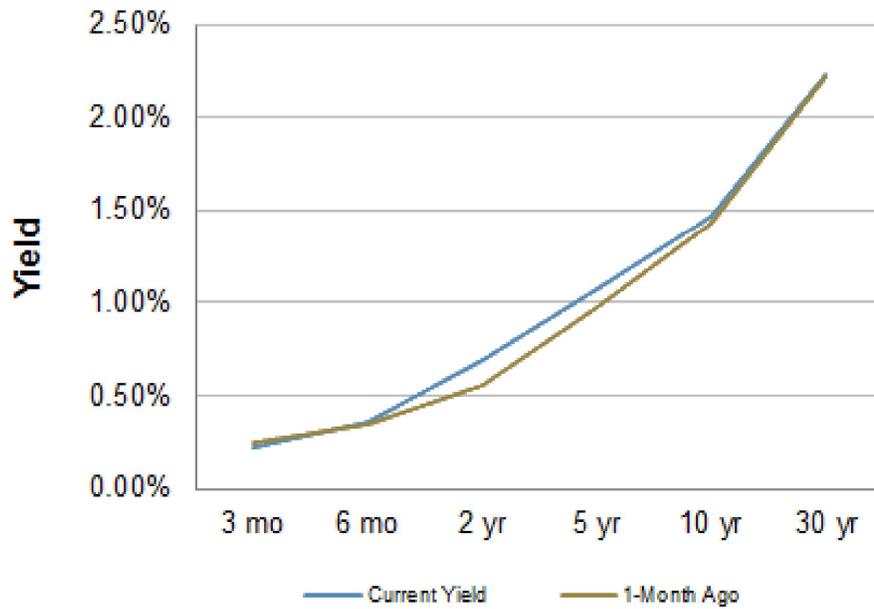
### Commodities

	Last	1 year ago
Crude Oil	41.14	48.79
Gold	1341.20	1093.30

### Bond Rates

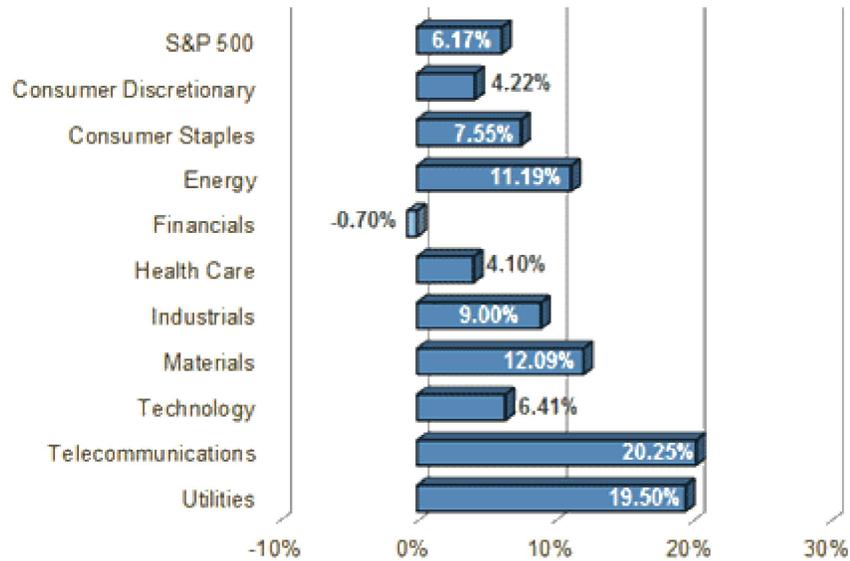
	Last	1 month ago
2-year treasury	0.69	0.56
10-year treasury	1.50	1.43
10-year municipal (TEY)	2.25	2.09

### Treasury Yield Curve – 07/29/2016



As of close of business 07/28/2016

#### S&P Sector Performance (YTD) – 07/29/2016



As of close of business 07/28/2016

#### Economic Calendar

<b>August 1</b>	—	ISM Manufacturing Index (July)
<b>August 2</b>	—	Personal Income and Spending (June) Unit Auto Sales (July)
<b>August 3</b>	—	

		ADP Payroll Estimate (July)
		ISM Non-Manufacturing Index (July)
<b>August 4</b>	—	BOE Policy Decision
		Jobless Claims (week ending July 30)
<b>August 5</b>	—	Employment Report (July)
		Trade Balance (June)

Past performance is not a guarantee of future results. There are special risks involved with global investing related to market and currency fluctuations, economic and political instability, and different financial accounting standards. There is no assurance that any trends mentioned will continue in the future. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Also municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Investing involves risk and investors may incur a profit or a loss.

US government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. US government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the US government.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments.

Tax Equiv Muni yields (TEY) assumes a 35% tax rate. Municipal securities may lose their tax-exempt status if certain legal requirements are not met, or if tax laws change.

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Data source: Bloomberg, as of close of business July 28, 2016.



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