
WEEKLY MARKET SNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

July 1, 2016

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Despite there being no plan for Brexit and expectations of a lengthy and uncertain process of disentanglement from the European Union, stock market fear subsided. The impact on the U.S. economy of a weaker U.K. is expected to be small, and in some ways may even be positive (lower mortgage rates and greater capital flows to the U.S.). Long-term interest rates remain low. Bank of England Governor Carney helped things along by suggesting that a rate cut would likely be warranted this summer (the BoE's Monetary Policy Committee will meet on July 14).

The economic data were mostly strong. The Conference Board's Consumer Confidence Index picked up. The June ISM manufacturing data were stronger than expected (although moderate). Real GDP rose at a 1.1% annual rate in the 3rd estimate of 1Q16 GDP growth, as anticipated, but the mix was unexpected (consumer spending was revised lower, exports flipped from a moderate negative to a small positive, and business fixed investment fell less steeply). The markets rarely give much attention to the personal income and spending data, but the May figures showed that inflation-adjusted consumer spending (70% of GDP) is on track for an annual rate of 4.0-4.5% in 2Q16 (vs. +1.5% in 1Q16). One important caveat: annual benchmark revisions to these data are due on July 29.

Next week, the focus will be on the July Employment Report. Payrolls were surprisingly soft in May (with a downward revision to March and April), even accounting for 35,000 striking Verizon workers. Those strikers will return in the June payroll data. Why has job growth slowed into 2Q16? Mild weather may have pulled forward seasonal job gains into earlier months. It could be statistical noise or problems with seasonal adjustment. Firms may have slowed their hiring (job destruction still appears to be low), or firms may be having a tougher time finding qualified workers as the job market tightens. Or it could be a combination of all of these. Hopefully, the June job market data will help to answer the question, but we ought to see a moderate pace of payroll growth in June. Still, seasonal adjustment (the end of the school year) may add some noise. Whatever the case, financial market participants will look to the payroll figure to help set expectations for the economy and monetary policy.

Indices

	Last	Last Week	YTD return %

DJIA	17929.99	18011.07	2.90%
NASDAQ	4842.67	4910.04	-3.29%
S&P 500	2098.86	2113.32	2.69%
MSCI EAFE	1608.45	1687.04	-6.28%
Russell 2000	1151.92	1172.22	1.41%

Consumer Money Rates

	Last	1 year ago
Prime Rate	3.50	3.25
Fed Funds	0.41	0.13
30-year mortgage	3.42	4.08

Currencies

	Last	1 year ago
Dollars per British Pound	1.331	1.562
Dollars per Euro	1.111	1.153
Japanese Yen per Dollar	103.20	123.17
Canadian Dollars per Dollar	1.292	1.259
Mexican Peso per Dollar	18.280	15.778

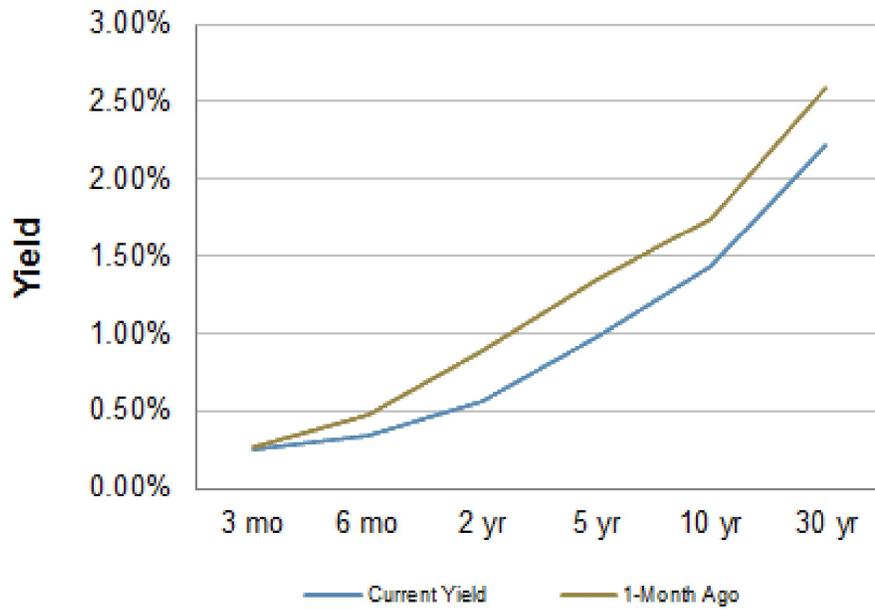
Commodities

	Last	1 year ago
Crude Oil	48.33	56.96
Gold	1320.60	1169.30

Bond Rates

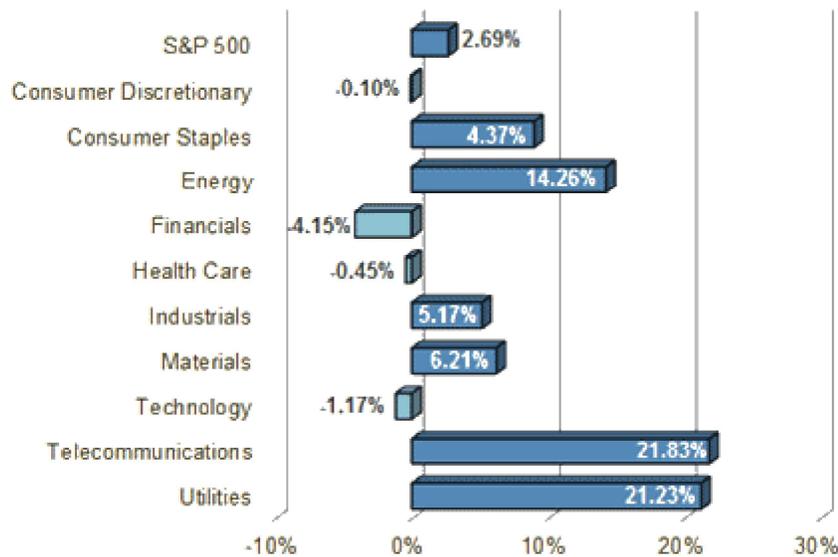
	Last	1 month ago
2-year treasury	0.56	0.88
10-year treasury	1.43	1.79
10-year municipal (TEY)	2.09	2.51

Treasury Yield Curve – 07/01/2016



As of close of business 06/30/2016

S&P Sector Performance (YTD) – 07/01/2016



As of close of business 06/30/2016

Economic Calendar

July 4	—	Independence Day Holiday (markets closed)
July 6	—	ISM Non-Manufacturing Index (June) FOMC Minutes (June 14-15)
July 7	—	

		ADP Payroll Estimate (June)
		Jobless Claims (week ending July 2)
July 8	—	Employment Report (June)
July 13	—	Fed Beige Book
July 14	—	BOE Policy Decision

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Data source: Bloomberg, as of close of business June 30, 2016.

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