

# WEEKLY MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

October 28, 2016

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

Real GDP rose at a 2.9% annual rate in the advance estimate of third quarter growth, a bit on the high side of expectations. However, the economy was not as strong as the headline figure suggests (similarly, growth over the four previous quarters was not as weak as the GDP number implies). Inventories, which had been slowing over the five previous quarters (subtracting from GDP growth), rose at a faster pace (adding 0.6 percentage point to overall growth). Net exports (a narrower trade deficit) added 0.8 percentage point. Private Domestic Final Purchases (consumer spending, business fixed investment, and residential homebuilding), a measure of domestic demand, rose at a 1.6% annual rate (vs. +2.3% over the four previous quarters). The Conference Board's Consumer Confidence Index and the University of Michigan's Consumer Sentiment Index both retreated in October – but while respondents were less optimistic regarding the outlook for the economy, they were still feeling pretty good about their personal finances.

Earnings reports remained the key driver for stocks, but results were mixed, keeping the major market averages within their recent ranges. Bond yields rose, but not due to fears of tighter Fed policy or higher inflation. Rather, long-term interest rates advanced overseas (partly on stronger-than-expected growth in the United Kingdom, which has yet to enter Brexit negotiations).

Next week, earnings reports will still matter, but the economic calendar is busy with fresh October figures. The ISM surveys have some potential to surprise (and hence, to move the markets), but the focus is expected to be on Friday's job market data. Nonfarm payrolls are expected to have risen at a moderate pace. The unemployment rate should hold steady or edge slightly lower, as those on the sidelines (not officially counted as "unemployed," but wanting a job) return to the labor force. Average hourly earnings are expected to have risen moderately. There is clear internal pressure for the Fed to raise short-term interest rates, but the FOMC said it could afford to wait for more information at the September meeting, and we haven't really added much to the outlooks for the job market and inflation since then.

### Indices

	Last	Last Week	YTD return %
DJIA	18169.68	18162.35	4.27%
NASDAQ	5215.98	5241.83	4.17%
S&P 500	2133.04	2141.34	4.36%

MSCI EAFE	1667.18	1679.83	-2.86%
Russell 2000	1189.95	1219.79	4.76%

**Consumer Money Rates**

	Last	1 year ago
Prime Rate	3.50	3.25
Fed Funds	0.41	0.12
30-year mortgage	3.61	3.76

**Currencies**

	Last	1 year ago
Dollars per British Pound	1.216	1.526
Dollars per Euro	1.090	1.092
Japanese Yen per Dollar	105.29	121.09
Canadian Dollars per Dollar	1.339	1.319
Mexican Peso per Dollar	18.840	16.639

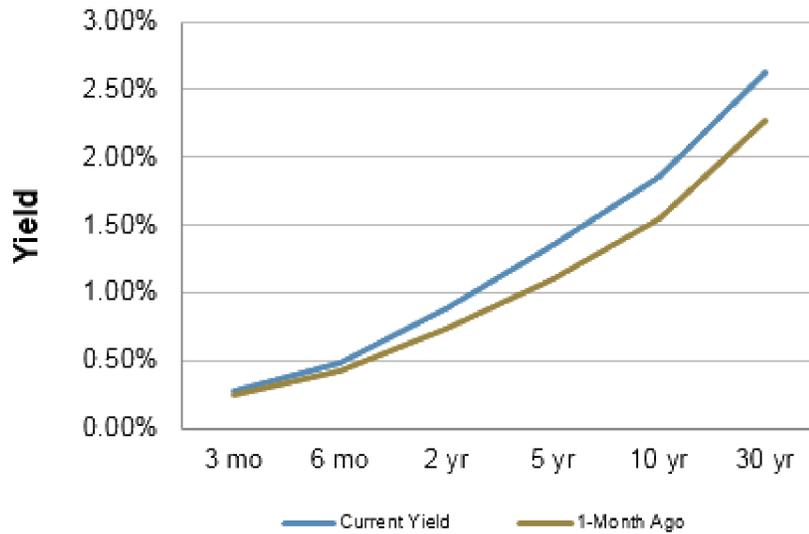
**Commodities**

	Last	1 year ago
Crude Oil	49.72	45.94
Gold	1269.50	1176.10

**Bond Rates**

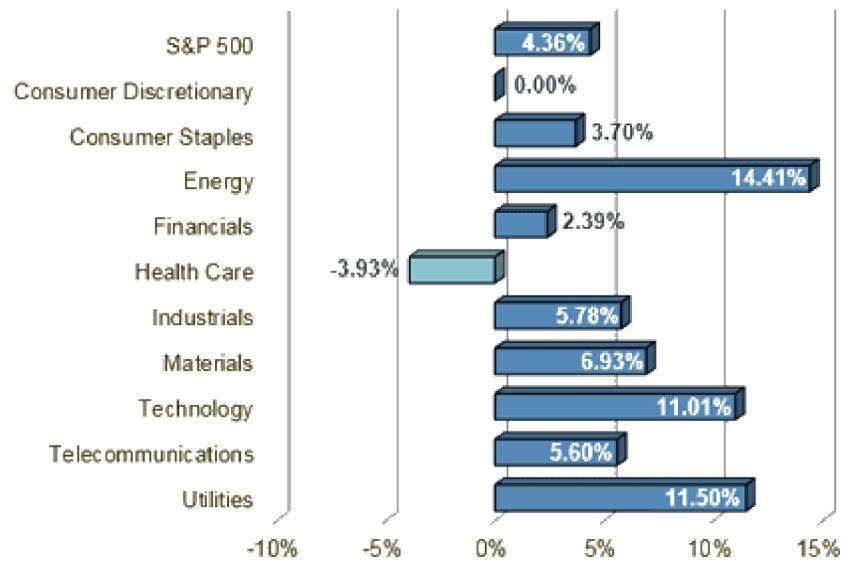
	Last	1 month ago
2-year treasury	0.88	0.73
10-year treasury	1.86	1.54
10-year municipal (TEY)	2.71	2.32

**Treasury Yield Curve – 10/28/2016**



As of close of business 10/27/2016

**S&P Sector Performance (YTD) – 10/28/2016**



As of close of business 10/27/2016

**Economic Calendar**

<b>October 31</b>	—	Personal Income and Spending (September)
	—	Chicago Business Barometer (October)
<b>November 1</b>	—	ISM Manufacturing Index (October)
	—	Motor Vehicle Sales (October)
	—	Pending Home Sales Index (September)
<b>November 2</b>	—	ADP Payroll Estimate (October)
	—	FOMC Policy Decision (no press conference)

<b>November 3</b>	—	Jobless Claims (week ending October 29)
	—	NF Productivity (3Q16, preliminary)
	—	ISM Non-Manufacturing Index (October)
<b>November 4</b>	—	Employment Report (October)
	—	Trade Balance (September)
<b>November 8</b>	—	Election Day
<b>November 11</b>	—	Veterans Day Holiday (bond market closed)
<b>November 15</b>	—	Retail Sales (October)
<b>November 24</b>	—	Thanksgiving Holiday (markets closed)
<b>December 2</b>	—	Employment Report (November)
<b>December 14</b>	—	FOMC Policy Decision (Yellen press conference)

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 October 27, 2016.

## RAYMOND JAMES®

**John McRae**

*Branch Manager*

512 22nd Avenue // Meridian, MS 39302 // 601-484-5273

[john.mcrae@raymondjames.com](mailto:john.mcrae@raymondjames.com)

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