
WEEKLY MARKET SNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

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In her Jackson Hole speech, Fed Chair Janet Yellen was not expected to provide any significant clues about what will happen at the September 20-21 policy meeting. Surprise! Yellen provided a strong hint that the central bank is a lot closer to raising short-term interest rates. Yellen said, "I believe the case for an increase in the federal funds rate has strengthened in recent months." Take that in context with other evidence. The minutes of the Fed's Board of Governors (BOG) July 25 meeting on the discount rate showed that eight of 12 Fed district banks had requested an increase in the discount rate (the rate the Fed charges banks for short-term borrowing). Recall that changes to the discount rate are requested by one or more of the district banks and then approved (or not) by the BOG. Four of those district banks have a vote on the Federal Open Market Committee this year. Comments from New York Fed President Dudley and Fed Vice Chair Stanley Fischer also suggest a willingness to raise rates sooner rather than later. While the September FOMC decision will remain data-dependent, the Fed appears to be a lot closer to raising rates. Oddly, the financial markets initially did not seem to believe it.

The economic data were mixed. Real GDP rose at a 1.1% annual rate in the 2nd estimate for 2Q16 (vs. +1.2% in the advance estimate). Details showed stronger consumer spending (a 3.0% annual rate in the first half of 2016), a smaller decrease in business fixed investment, and a larger drag in inventories (suggesting more potential for a rebound in 3Q16). The revised estimate also showed an upward revision to growth in personal income (a plus for the consumer spending outlook).

Next week we'll get some fresh economic figures for August. While the ISM Manufacturing Index has some market-moving potential, the focus will be on the employment report. Seasonal adjustment quirks may have boosted the July payroll figure, in which case we ought to see a correction (a more moderate gain) in August – focus on the three-month average, which reduces the impact on monthly noise in the payroll data.

Indices

	Last	Last Week	YTD return %
DJIA	18448.41	18597.70	5.87%

NASDAQ	5212.20	5240.15	4.09%
S&P 500	2172.47	2187.02	6.29%
MSCI EAFE	1702.17	1707.90	-0.82%
Russell 2000	1240.01	1236.85	9.17%

Consumer Money Rates

	Last	1 year ago
Prime Rate	3.50	3.25
Fed Funds	0.40	0.12
30-year mortgage	3.41	3.84

Currencies

	Last	1 year ago
Dollars per British Pound	1.319	1.546
Dollars per Euro	1.129	1.131
Japanese Yen per Dollar	100.53	119.92
Canadian Dollars per Dollar	1.292	1.329
Mexican Peso per Dollar	18.366	17.013

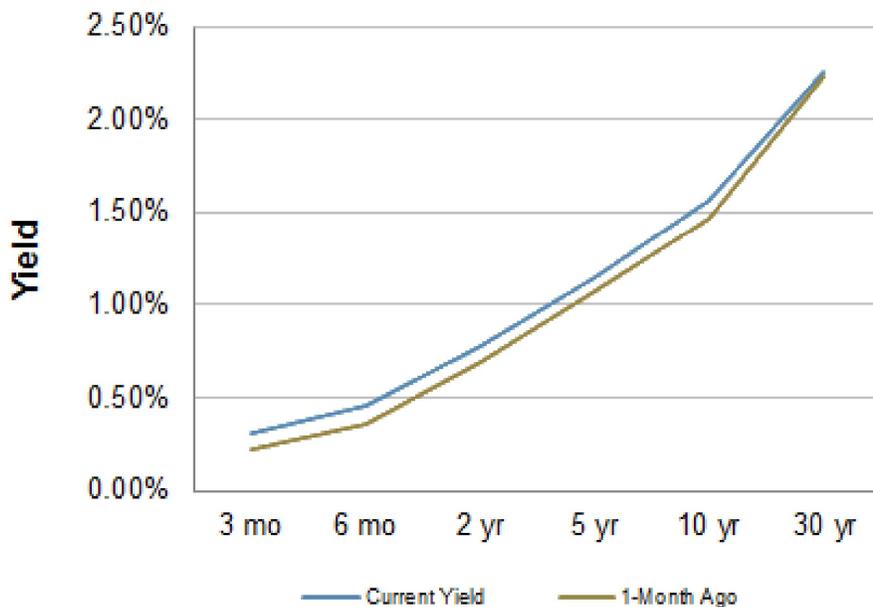
Commodities

	Last	1 year ago
Crude Oil	47.33	38.60
Gold	1324.60	1124.60

Bond Rates

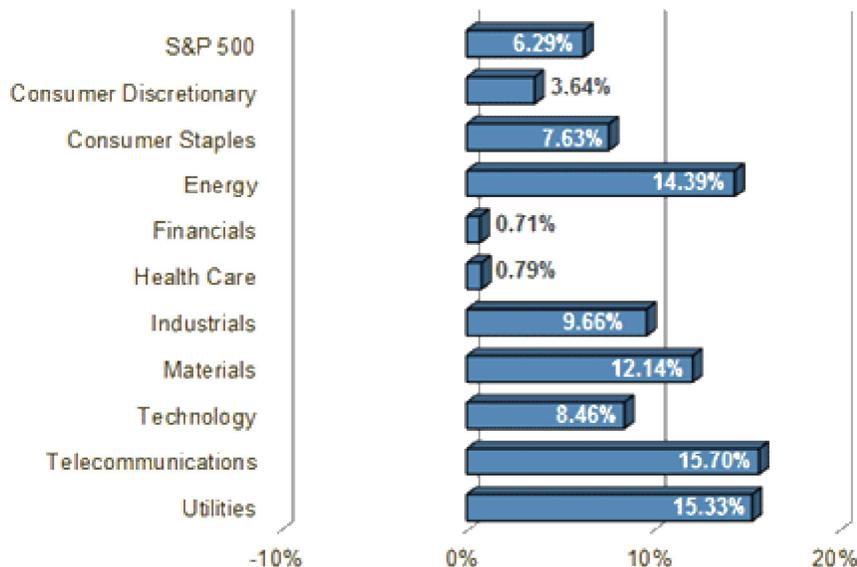
	Last	1 month ago
2-year treasury	0.78	0.69
10-year treasury	1.56	1.50
10-year municipal (TEY)	2.18	2.25

Treasury Yield Curve – 08/26/2016



As of close of business 08/25/2016

S&P Sector Performance (YTD) – 08/26/2016



As of close of business 08/25/2016

Economic Calendar

August 29	—	Personal Income and Spending (July)
August 30	—	Consumer Confidence (August)
September 1	—	ISM Manufacturing Index (August) Unit Motor Vehicle Sales (August)

September 2	—	ISM Manufacturing Index (August) Employment Report (August)
September 5	—	ISM Manufacturing Index (August) Labor Day Holiday (markets closed)

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Data source: Bloomberg, as of close of business August 25, 2016.

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