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WEEKLY MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JULY 7, 2017

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

As expected, the holiday contributed to thin market conditions. The economic data reports were mixed, but the June Employment Report was right in the stock market's wheelhouse – good enough to dispel fears of a weakening economy, but not strong enough to force the Fed to be more aggressive in raising short-term interest rates.

Nonfarm payrolls rose by 222,000 in June (median forecast: +175,000), with a net upward revision of 46,000 to April and May. Private-sector payrolls advanced by 187,000, leaving the 2Q17 average at +180,000 (vs. +162,000 in 1Q17 and +170,000 for all of 2016). Unadjusted, the economy added 4.115 million jobs between January and June, vs. 4.094 million over the same period a year ago. The unemployment rate edged up to 4.4% (essentially unchanged). Average hourly earnings rose 0.2%, with a slight downward revision to May, leaving the year-over-year pace at 2.5% (good, but not great). The ISM surveys were stronger than anticipated. Unit auto sales continued to trend lower.

The minutes of the June 13 – 14 monetary policy meeting and the Fed's semiannual Monetary Report to Congress both reinforced the view that the Fed will continue to raise short-term interest rates gradually and that the unwinding of the balance will start later this year – *“provided that the economy evolves broadly as anticipated.”*

The Fed chair's semiannual monetary policy testimony to Congress, which is next week, is always a big deal for the financial markets, but has become less critical (as the central bank has become more open in its communications with the public). We're unlikely to learn much that we don't already know. Three important economic reports will arrive on Friday. Lower gasoline prices should keep the Consumer Price Index in check, while core inflation is expected to be mild. Retail sales should post a lackluster increase for June, but watch for possible revisions. Industrial production is likely to have risen modestly at best (aggregate hours were reported

as flat).

Indices

	Last	Last Week	YTD return %
DJIA	21320.04	21287.03	7.88%
NASDAQ	6089.47	6144.35	13.12%
S&P 500	2409.75	2419.70	7.63%
MSCI EAFE	1882.57	1895.75	11.79%
Russell 2000	1400.82	1416.20	3.22%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.25	3.50
Fed Funds	1.16	0.40
30-year mortgage	4.13	3.66

Currencies

	Last	1 year ago
Dollars per British Pound	1.297	1.291
Dollars per Euro	1.142	1.106
Japanese Yen per Dollar	113.22	100.77
Canadian Dollars per Dollar	1.298	1.300
Mexican Peso per Dollar	18.258	18.828

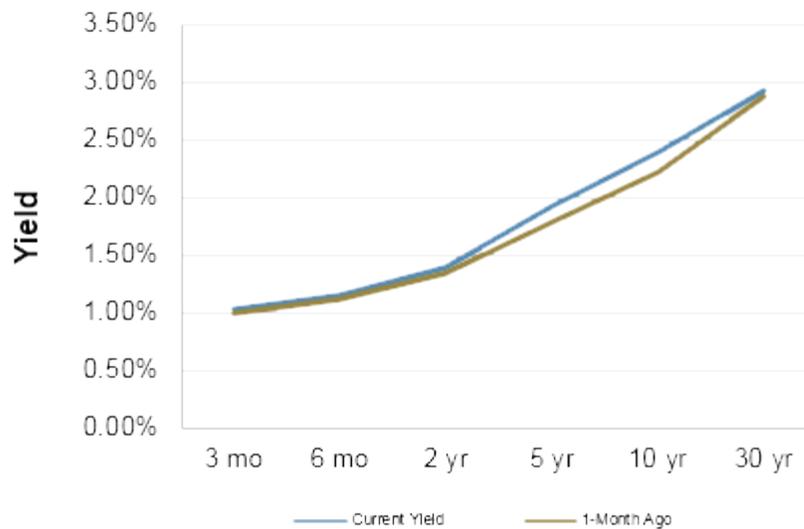
Commodities

	Last	1 year ago
Crude Oil	45.52	45.14
Gold	1223.30	1362.10

Bond Rates

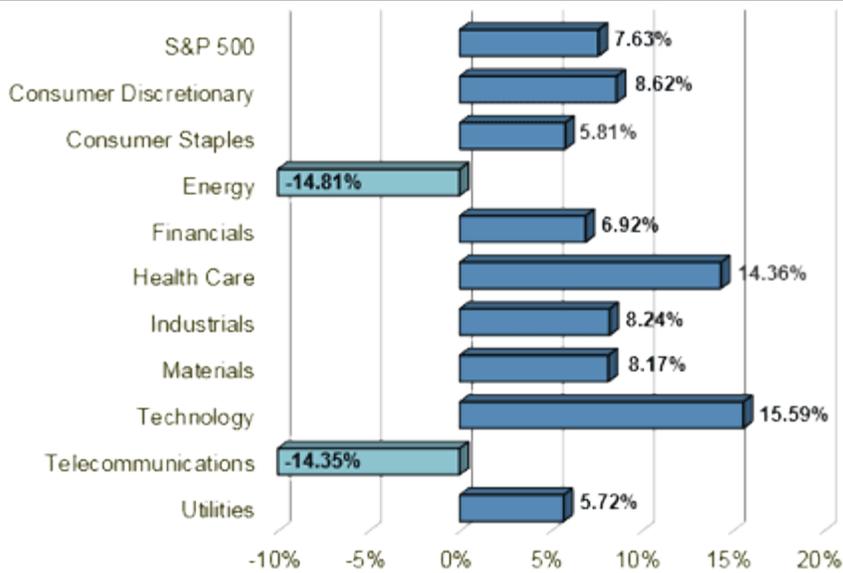
	Last	1 month ago
2-year treasury	1.39	1.34
10-year treasury	2.38	2.21
10-year municipal (TEY)	3.09	2.83

Treasury Yield Curve – 07/07/2017



As of close of business 07/06/2017

S&P Sector Performance (YTD) – 07/07/2017



As of close of business 07/06/2017

Economic Calendar

- July 11** — Small Business Optimism Index (June)

- July 12** — Yellen Monetary Policy Testimony (House)

- Fed Beige Book

- July 13** — Jobless Claims (week ending July 8)

- Producer Price Index (June)

- Yellen Monetary Policy Testimony (Senate)

- July 14** — Consumer Price Index (June)

- Retail Sales (June)

- Industrial Production (June)

- UM Consumer Sentiment (mid-July)
- July 19** — Building Permits, Housing Starts (June)
- July 26** — FOMC Policy Decision (no Yellen press conference)
- July 28** — Real GDP (2Q17 advance estimate + benchmark revisions)
- August 4** — Employment Report (July)
- September 20** — FOMC Policy Decision (Yellen press conference)

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The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. An investment cannot be made directly in these indexes. The performance noted does not include fees or charges, which would reduce an investor's returns. U.S. 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. U.S. 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 U.S. 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. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business July 6, 2017.