

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

OCTOBER 6, 2017

Market Commentary

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

The September Employment Report was mixed. As expected, nonfarm payrolls were distorted by the hurricanes, although the Bureau of Labor Statistics (BLS) states that it's impossible to say how much. Nonfarm payrolls were reported to have fallen by 33,000 (+340,000 before seasonal adjustment), with a net downward revision of 38,000 to July and August. Prior to seasonal adjustment, gains in education were in line with what we saw a year ago. However, non-education jobs, which are generally shed at the end of the summer travel season, fell more than usual, with weakness concentrated in eating and drinking establishments. The unemployment rate fell to 4.2% (from 4.4%), with no noticeable impact from the hurricanes (according to the BLS), but the household survey results are often choppy around the start of the school year. The big surprise was a 0.5% increase in average hourly earnings (+2.9% y/y). That may reflect hurricane effects (job losses in lower-paying industries), but it is also consistent with tighter labor market conditions and the recent anecdotal information suggesting a pickup in wage pressures. The financial markets viewed the report as further boosting the odds of a Fed rate hike in December (note that we'll have two more employment reports between now and then). The week's other economic reports continued to reflect a divergence between the "soft" data (sentiment surveys) and the "hard" data. ISM survey results for September were strong. Factory orders were mixed. Unit auto sales surged on inventory clearance promotions (dealer incentives to make way for the new models).

Next week, investors will look to the Fed policy meeting minutes (Wednesday) and the market may be sensitive to the more hawkish views expressed therein. The important data (retail sales, CPI) arrive on Friday. Retail sales may show some hurricane effects, but the headline figure should be dominated by the (temporary) surge in vehicle sales. Higher gasoline prices should boost CPI inflation, but dealer discounting in motor vehicles is likely to cap core inflation. Fed Chair Yellen will speak on Sunday (10/15). We may hear soon on Trump's pick for Fed chair, which is still very much uncertain at this point.

Indices

	Last	Last Week	YTD return %
DJIA	22775.39	22381.20	15.24%
NASDAQ	6585.36	6453.45	22.33%
S&P 500	2552.07	2510.06	13.99%
MSCI EAFE	1973.69	1963.44	17.20%
Russell 2000	1512.09	1488.79	11.42%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.25	3.50
Fed Funds	1.16	0.40
30-year mortgage	3.98	3.52

Currencies

	Last	1 year ago
Dollars per British Pound	1.312	1.262
Dollars per Euro	1.171	1.115
Japanese Yen per Dollar	112.82	103.95
Canadian Dollars per Dollar	1.257	1.322
Mexican Peso per Dollar	18.496	19.236

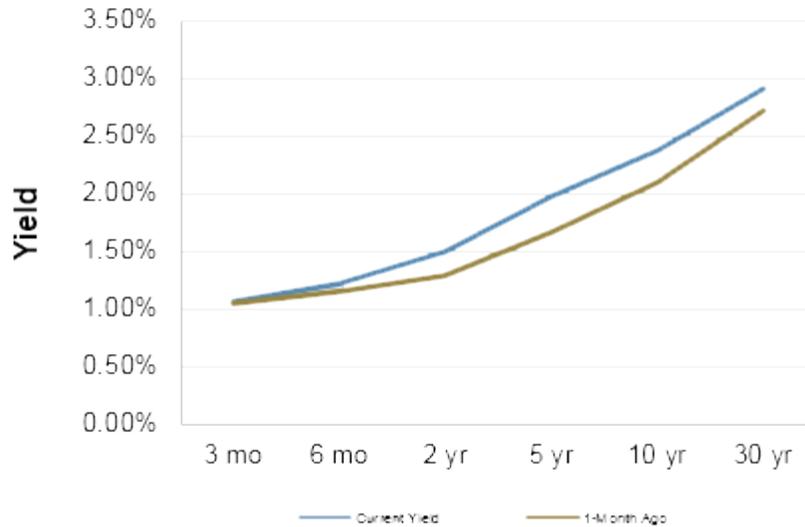
Commodities

	Last	1 year ago
Crude Oil	50.79	50.44
Gold	1273.20	1253.00

Bond Rates

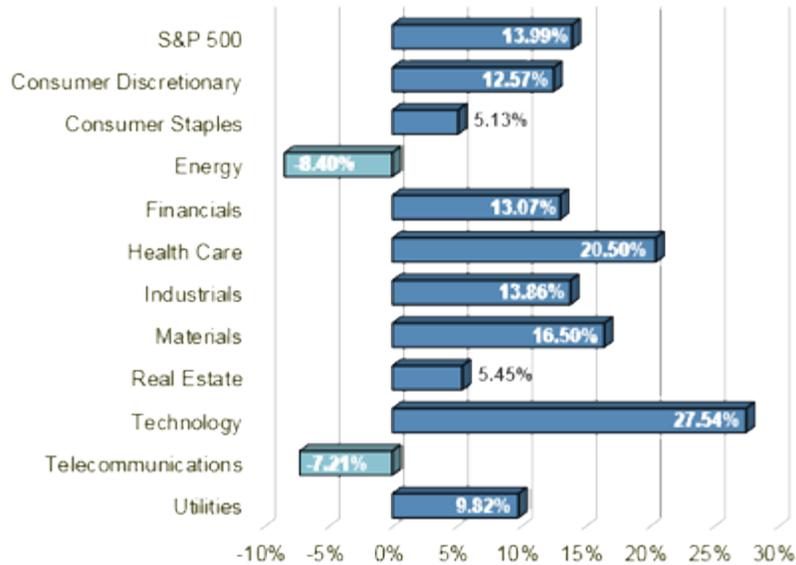
	Last	1 month ago
2-year treasury	1.50	1.29
10-year treasury	2.37	2.09
10-year municipal (TEY)	3.11	2.80

Treasury Yield Curve – 10/06/2017



As of close of business 10/05/2017

S&P Sector Performance (YTD) – 10/06/2017



As of close of business 10/05/2017

Economic Calendar

- October 9** — Columbus Day (bond market closed)
- October 10** — Small Business Optimism Index (September)
- October 11** — FOMC Minutes (September 19-20)
- October 12** — Initial Jobless Claims (week ending October 7)
- Producer Price Index (September)
- October 13** — Retail Sales (September)
- Consumer Price Index (September)
- October 17** — Industrial Production (September)
- October 18** — Building Permits, Housing Starts (September)
- October 27** — Real GDP (3Q17, advance estimate)
- November 1** — FOMC Policy Decision (no press conference)
- November 3** — Employment Report (October)

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