

Market Month: July 2017

The Markets (as of market close July 31, 2017)

The last day of July saw each of the indexes listed here post gains over their June closing values. Despite slumping tech stocks at the end of the month, the Nasdaq led the benchmarks for the month, closely followed by the Global Dow, as each index gained over 3.0%. Both the large-cap Dow and S&P 500 posted gains, spurred by charging energy stocks and favorable corporate earnings reports. The small-cap Russell 2000, which has lagged behind the other indexes listed here, gained a little more than half a percent for the month and is up just over 5.0% year-to-date. The overall favorable performance of the market was more noteworthy considering the upheaval in the White House and the failure of Congress to enact health-care legislation. The yield on 10-year Treasuries was little changed from June. Yields increase as bond prices decrease.

By the close of trading on July 31, the price of crude oil (WTI) was \$50.18 per barrel, up from the June 30 price of \$46.33 per barrel. The national average retail regular gasoline price was \$2.312 per gallon on July 24, up from the June 26 selling price of \$2.288 but \$0.106 more than a year ago. The price of gold increased by the end of July, closing at \$1,275.60 on the last trading day of the month, up \$34.20 from its June 30 price of \$1,241.40.

Market/Index	2016 Close	Prior Month	As of July 31	Month Change	YTD Change
DJIA	19762.60	21349.63	21891.12	2.54%	10.77%
NASDAQ	5383.12	6140.42	6348.12	3.38%	17.93%
S&P 500	2238.83	2423.41	2470.30	1.93%	10.34%
Russell 2000	1357.13	1415.36	1425.14	0.69%	5.01%
Global Dow	2528.21	2769.39	2856.10	3.13%	12.97%
Fed. Funds	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
10-year Treasuries	2.44%	2.30%	2.29%	-1 bps	-15 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Month's Economic News

- **Employment:** In June, job growth expanded while wages showed little upward movement. There were 222,000 new jobs added in June following May's weak 152,000 total. Employment growth has averaged 180,000 per month through June, in line with the average monthly gain of 187,000 in 2016. Notable employment gains occurred in health care, social assistance, financial activities, professional and business services, and food services. The unemployment rate was 4.4%, representing about 7.0 million unemployed persons. The labor participation rate was essentially unchanged at 62.8%. The average workweek for all employees rose by 0.1 hour to 34.5 hours in June. Average hourly earnings rose by \$0.04, or 0.2%, to \$26.25. Over the year, average hourly earnings have risen by \$0.63, or 2.5%.
- **FOMC/interest rates:** Following its meeting in July, the Federal Open Market Committee held the target

Key Dates/Data Releases

8/1: Personal income and outlays

8/4: Employment situation, international trade

8/8: JOLTS

8/10: Producer Price Index, Treasury budget

8/11: Consumer Price Index

8/15: Retail sales, import and export prices

8/16: Housing starts

8/17: Industrial production

8/23: New home sales

8/24: Existing home sales

8/25: Durable goods orders

8/28: International trade in goods

8/30: GDP

8/31: Personal income and outlays

range for the federal funds rate at 1.00%-1.25%. As it was following the Committee's meeting in June, inflation has failed to progress as anticipated. Otherwise, employment is solid and both household spending and business investment are up. The Committee gave no clear indication as to what it may do when it next meets in September.

- **GDP/budget:** The gross domestic product expanded over the second quarter at an annual rate of 2.6%, according to the advance estimate from the Bureau of Economic Analysis. The first-quarter GDP grew at an annualized rate of 1.2%. Consumer spending and business investment were positives in the report, offset by deceleration in residential investment and net exports. As to the government's budget, the federal deficit for June was \$90.2 billion, an increase of 2.0% over the May deficit. Through the first nine months of the fiscal year, the deficit sits at \$523.1 billion, which is about \$124 billion more than the deficit over the same period last year.
- **Inflation/consumer spending:** For the past few months, the major indicators are showing that inflation data is weak. Consumer spending, as measured by personal consumption expenditures (PCE), expanded at a rate of 0.1% in June. In contrast, PCE climbed 0.2% in May. Core PCE (excluding energy and food) inched ahead 0.1% for the month. Both personal income (pre-tax earnings) and disposable personal income (income less taxes) were unchanged from the prior month.
- The prices companies receive for goods and services edged up 0.1% in June from May, according to the Producer Price Index. Year-over-year, producer prices have increased 2.0%. Energy prices fell for the second straight month, dropping 0.5% following a 3.0% decline in May. Prices less food and energy climbed 0.1% in June and 1.9% over the last 12 months.
- Consumer prices were unchanged in June following a 0.1% decrease in May. For the 12 months ended in June, consumer prices are up 1.6%, a mark that remains below the Fed's 2.0% target for inflation. Core prices, which exclude food and energy, edged up 0.1% in June, the same increase as May, and are up 1.7% year-over-year.
- **Housing:** Scant inventory and rising prices have slowed sales of existing homes, which decreased 1.8% in June and are up only 0.7% from a year ago. The June median price for existing homes was \$263,800 — up 6.5% from the price last June. Housing inventory declined 0.5% for the month and is 7.1% lower than a year ago. The Census Bureau's latest report reveals sales of new single-family homes increased 0.8% in June to an annual rate of 610,000 — up from May's revised rate of 605,000. The median sales price of new houses sold in June was \$310,800. The average sales price was \$379,500. The seasonally adjusted estimate of new houses for sale at the end of June was 272,000. This represents a supply of 5.4 months at the current sales rate, which is essentially unchanged from May (5.3 months).
- **Manufacturing:** Industrial production expanded by 0.4% in June, according to the Federal Reserve's monthly index of industrial production (which includes factories, mines, and utilities). This is the fifth consecutive monthly increase. Manufacturing output increased 0.2% in June following a May decrease of 0.4%. Mining output was again strong, posting a gain of 1.6% in June after increasing 1.9% in May. The index for utilities, however, remained unchanged. For the second quarter as a whole, industrial production advanced at an annual rate of 4.7%, primarily as a result of strong increases for mining and utilities. Manufacturing output rose at an annual rate of 1.4%, a slightly slower increase than in the first quarter. Capacity utilization for the industrial sector edged up 0.2 percentage point in June to 76.6%, a rate that is 3.3 percentage points below its long-run average. As for durable goods, June's report from the Census Bureau shows new orders increased \$14.9 billion, or 6.5%, from the prior month. However, excluding the transportation segment, new durable goods orders increased 0.2%. Orders for core capital goods (excluding defense and transportation) dropped 0.1% in June following a revised increase in May of 0.7%. Over the 12 months ended in June, core capital goods orders are up 5.6%.
- **Imports and exports:** The advance report on international trade in goods revealed that the trade gap narrowed 3.76% in June. The overall trade deficit was \$63.9 billion, down by \$2.5 billion from the prior month. The total volume of exports increased \$1.8 billion to \$128.6 billion. Imports fell \$0.7 billion to \$192.4 billion. As to the prices for goods purchased and sold in the foreign marketplace, both import and export prices fell in June. Import prices decreased 0.2%; for the second consecutive month the decline was driven by lower fuel prices, which dropped 2.1%. Prices for U.S. exports fell for a second consecutive month, declining 0.2% following a 0.5% decline in May.
- **International markets:** Greece is slowly showing signs of economic progress. Demand has been solid for the country's first bond issuance in three years, although not significant enough to preclude the need for more debt relief. The euro continued to climb following the European Central Bank's decision to maintain its current interest rate policy. However, a stronger euro and weaker oil prices have pushed European stocks lower. China's second-quarter gross domestic product expanded at a rate of 6.9%, fueled by strong industrial production. Saudi Arabia promised to cut its August oil exports, but some OPEC members have not followed the Saudi lead and continue to ramp up drilling and exports.
- **Consumer sentiment:** The Conference Board Consumer Confidence Index® for July rose to 121.1

from June's revised 117.3. Consumers expressed growing confidence in current economic conditions and future economic growth. The Index of Consumer Sentiment from the Surveys of Consumers of the University of Michigan dipped from 95.1 in June to 93.4 in July. While the overall sentiment of consumers waned, they were encouraged by the present economic conditions, although not so optimistic about future economic developments.

Eye on the Month Ahead

Trading typically has been light during the first two months of the summer — a trend that is expected to continue through August. Interest rates will remain unchanged at least until mid-September, when the Federal Open Market meets again. The next release of the gross domestic product for the second quarter will be based on more current financial and economic information, which could impact the initial 2.6% growth rate that came out in July's report.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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