



## Capital Asset Management

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# Market Week: September 19, 2016

## The Markets (as of market close September 16, 2016)

Volatility in the markets reigned last week as each of the indexes listed here enjoyed gains early in the week, only to give most of them back by last week's end. The Dow and S&P 500 closed last week only slightly ahead of their respective closing values from the previous week. While the small-cap Nasdaq finished the week up over 2.0% compared to the previous week, it too gave back plenty of gains from earlier in the week. The equities markets could be in for a ride, both domestically and abroad, as the Fed and the Central Bank of Japan are scheduled to meet later this week.

The price of crude oil (WTI) closed at \$43.19 a barrel last week, down from \$45.71 per barrel the previous week. The price of gold (COMEX) also fell, closing at \$1,313.20 by late Friday afternoon, down from the prior week's price of \$1,331.80. The national average retail regular gasoline price decreased for the second consecutive week, falling to \$2.202 per gallon on September 12, \$0.021 lower than the prior week's price and \$0.173 below a year ago.

Market/Index	2015 Close	Prior Week	As of 9/16	Weekly Change	YTD Change
<b>DJIA</b>	17425.03	18085.45	18123.80	0.21%	4.01%
<b>Nasdaq</b>	5007.41	5125.91	5244.57	2.31%	4.74%
<b>S&amp;P 500</b>	2043.94	2127.81	2139.16	0.53%	4.66%
<b>Russell 2000</b>	1135.89	1219.21	1224.78	0.46%	7.83%
<b>Global Dow</b>	2336.45	2442.56	2403.06	-1.62%	2.85%
<b>Fed. Funds target rate</b>	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
<b>10-year Treasuries</b>	2.26%	1.67%	1.69%	2 bps	-57 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 Week's Headlines

- Consumer prices rose 0.2% in August, facilitated by a 0.3% increase in the index less food and energy (the core index), which was the largest gain in that category since February. Over the last 12 months, the all items index has risen 1.1%, a larger increase than the 0.8% rise for the 12 months ended in July. Prices for medical care, shelter, and clothing increased in August. Major energy component indexes were mixed, with increases in the indexes for natural gas and electricity offsetting declines in the gasoline and fuel oil indexes. While it isn't much, the increase in the Consumer Price Index for August shows some firming of inflationary pressure. However, price gains are still lagging compared to last August, when the all items index rose 1.1% and core prices increased 2.3%.
- An indicator of inflationary trends, the Producer Price Index (a measure of the change in prices received by U.S. producers of goods and services) was unchanged in August, the U.S. Bureau of Labor Statistics reported. Final demand prices declined 0.4% in July and rose 0.5% in June. Prices for final demand less



## Key Dates/Data Releases

9/20: Housing starts

9/21: FOMC meeting announcement

9/22: Existing home sales

foods, energy, and trade services increased 0.3% in August after no change in July. For the 12 months ended in August, the index for final demand less foods, energy, and trade services moved up 1.2%, the largest rise since climbing 1.3% for the 12 months ended in December 2014. A closer look at the report reveals that the price index for services increased a scant 0.1%, while the price index for goods dropped 0.4%, which can be traced to a 1.6% fall in food prices.

- Following increases in June and July, retail sales in August fell. According to the Census Bureau, advance estimates of U.S. retail and food services sales for August were at a seasonally adjusted rate of \$456.3 billion, a decrease of 0.3% from the previous month, but 1.9% above August 2015. Excluding autos, retail sales dropped 0.1% in August. Sales for online retailers fell 0.3% in August, compared to July. A slowdown in consumer spending could impact the GDP for the quarter and the prospects of a Fed interest rate hike in September.
- The federal deficit grew to \$107 billion in August, as total outlays (\$338 billion) outpaced total receipts (\$231 billion). For the fiscal year, which ends this month, the year-to-date deficit is \$620.8 billion, compared to \$530 billion over the same period last year. Year-to-date, total receipts are up 0.9% compared to last year, while total government expenditures have surged ahead by 13.6%.
- Industrial production decreased 0.4% in August after rising 0.6% in July. Manufacturing output also declined 0.4% in August, reversing its increase in July. Capacity utilization for the industrial sector decreased 0.4 percentage point in August to 75.5%, a rate that is 4.5 percentage points below its long-run (1972-2015) average.
- According to the latest report from the Bureau of Labor Statistics, both import prices and export prices fell in August compared to July. U.S. import prices declined 0.2% in August, after ticking up 0.1% in July. The August downturn was driven by lower fuel prices. Prices for U.S. exports decreased 0.8% in August following a 0.2% increase in July. The drop in import prices is another indication of weak inflationary pressure.
- Consumers' opinions of the economy this month haven't changed from August, according to the University of Michigan's Surveys of Consumers. The Index of Consumer Sentiment was 89.8 for September, the same as August. Consumers' opinions of the current economic conditions regressed a bit in September. However, consumers remain reasonably optimistic about their future economic prospects.
- In the week ended September 10, the advance figure for seasonally adjusted initial unemployment insurance claims was 260,000, an increase of 1,000 from the prior week's unrevised level. The advance seasonally adjusted insured unemployment rate remained at 1.6%. The advance number for seasonally adjusted insured unemployment during the week ended September 3 was 2,143,000, an increase of 1,000 from the previous week's revised level.

## Eye on the Week Ahead

The latest reports on the sales of new and existing homes hit the news this week. But the biggest event of the week is the FOMC meeting. Clearly a market-mover, speculation as to whether the Fed will increase interest rates in September has run the gamut from "no chance" to "definitely." Even if the Committee holds off on hiking interest rates, investors will likely focus on comments from Committee members, particularly Chair Janet Yellen, as to the future of the current quantitative easing measures.

*Data sources: 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. Market data: 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). 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. Market indices listed are unmanaged and are not available for direct investment.*



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