

## U.S. Stocks Close Lower on Friday, But Sustain Gains for the Week

U.S. equities closed lower Friday, but preserved gains for the week, as oil prices dropped and investors worried about upcoming central bank policy meetings. Oil prices fell on the combination of a stronger US dollar and an expected increase in oil exports from Nigeria and Libya. A stronger greenback generally pressures oil prices, as this commodity is generally priced in US dollars. The Federal Reserve and the Bank of Japan (BOJ) are both scheduled to finish their policy meetings this Wednesday. Most expect the BOJ to slightly ease monetary policy and the Fed to keep rates unchanged. The markets will carefully watch for any deviations from these expectations and any ensuing comments. Additionally, Friday was a so-called quadruple witching day, where investors witnessed the simultaneous expiration of stock-index futures, stock-index options, stock options and single-stock futures. This helped to contribute to market volatility. The S&P 500 retreated 0.49% on Friday, while the Dow Jones Industrial Average and NASDAQ Composite lost 0.38 % and 0.10%, respectively.

Last week was a mixed for key economic data. On Thursday, despite weekly jobless claims remaining at near historic lows, we saw weak readings on regional business activity from the Philadelphia Fed and the New York Fed. Also concerning was weaker-than-expected August retail sales. Though consumer sentiment did miss expectations, on Friday the economic data was a bit better as the August Consumer Price Index rose 0.2%, higher than both the consensus and July's reading.

For the week, the S&P 500 gained 0.59%, the Dow Industrials rose 0.25% and the NASDAQ Composite jumped by 2.34%. Six sectors ended higher, with Technology (+3.05%), Utilities (+2.50%), and Health Care (+1.29%) gaining the most. Energy (-2.90%), Financials (-1.19%), and Materials (-0.95%) dropped the most last week. The US Dollar Index strengthened for a third day, yet edged slightly lower on the week to 95.336. Likewise, oil prices fell about 2% on Friday and were down 5.4% for the week. The yield on 10-year Treasury notes moved slightly higher to 1.69%

### What We're Reading

**U.S. Inflation Increasing on Higher Healthcare and Housing Costs** ↗

**China's Inventories of U.S. Treasuries** ↗

**Long-Term Charting for U.S. Markets** ↗

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### Week's Economic Calendar

**Monday, Sept. 19:** No major data;

**Tuesday, Sept. 20:** Housing Starts, FOMC Meeting Commences;

**Wednesday, Sept. 21:** Mortgage Applications, FOMC Meeting Concludes;

**Thursday, Sept. 22:** Jobless Claims, Leading Economic Indicators, Existing Home Sales;

**Friday, Sept. 23:** PMI Manufacturing Index.

## Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.21%	-1.51%	2.20%	4.01%	8.25%	5.36%
S&P 500	0.59%	-1.37%	3.49%	6.34%	9.59%	10.32%
NASDAQ Composite	2.34%	0.64%	8.57%	5.71%	8.60%	13.51%
Russell 3000	0.53%	-1.36%	3.85%	6.55%	8.47%	9.72%
MSCI EAFE	-2.48%	-1.19%	6.63%	-0.70%	-0.90%	-0.09%
MSCI Emerging Markets	-2.59%	-0.78%	11.88%	13.65%	10.20%	-1.70%

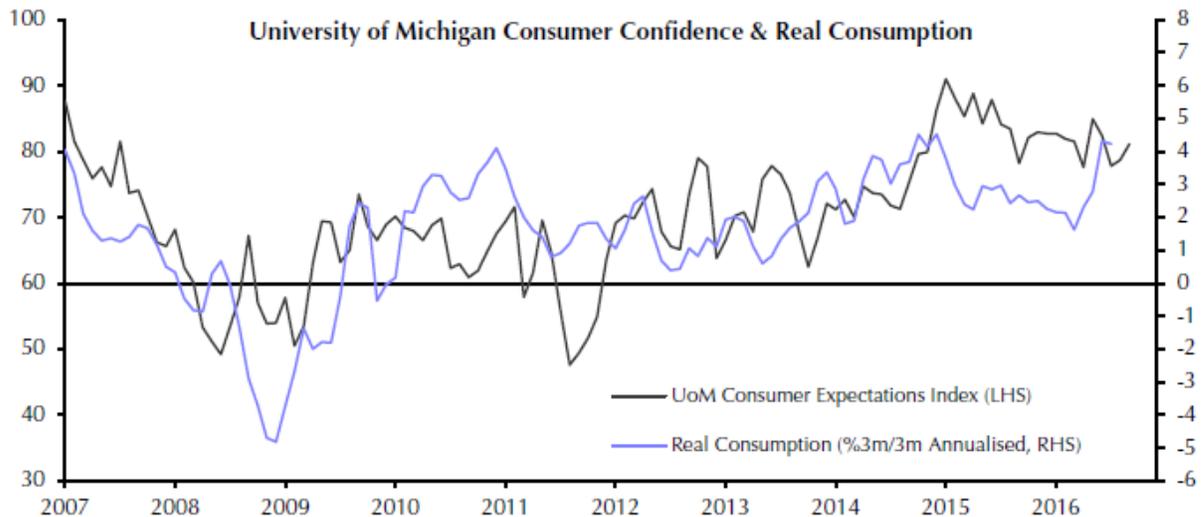
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Barclays Agg Bond	-0.11%	-0.64%	0.40%	5.18%	5.62%	4.27%
Barclays Municipal	-0.39%	-0.68%	-0.05%	3.82%	6.43%	5.91%
Barclays US Corp High Yield	-0.59%	-0.55%	5.23%	13.72%	8.19%	4.94%

Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	-0.93%	0.57%	-4.51%	6.18%	-6.72%	-13.47%
S&P GSCI Crude Oil	-5.40%	-2.42%	-6.68%	17.76%	-8.17%	-25.66%
S&P GSCI Gold	-1.82%	-0.09%	0.91%	23.58%	17.05%	-0.19%

Source: Morningstar

## Chart of the Week: Consumer Confidence Unchanged



Source: University of Michigan

Andrew Hunter, U.S. Economist for Capital Economics, shows that the University of Michigan measure of consumer confidence was unchanged at a five-month low of 89.8 in September, although it is still at a level that, historically, has been consistent with real consumption growth of around 4%. Overall, the recent weakness of retail sales suggests that third-quarter real consumption growth could fall to between 2.5% and 3% annualized, which is a little weaker than Hunter had previously thought. But with consumer confidence holding steady at a high level and labor market conditions continuing to gradually improve, this is unlikely to be the start of a sustained slowdown.

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## Glossary

The **Barclays U.S. Aggregate Bond Index** is an unmanaged index composed of Barclays Credit government bond index, mortgage backed securities index, and asset backed securities index and is generally representative of the US Bond market.

The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The **Barclays U.S. Municipal Bond Index** is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility.

The **CRB Index** is a pricing index that measures changes in the price of 22 commodities that are believed to be among the first to react to changes in economic conditions.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Hang Seng Index** is a market capitalization weighted index of the stocks of the 33 largest companies in the Hong Kong market. The Hang Seng Index is a price weighted/share price index which measures movements in the prices of shares, but not of their dividends.

The **MSCI EAFE Index** (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

**MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **NASDAQ 100 Index** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No individual listing can have more than a 24% weighting. Launched on February 1, 1985, the index carried a base value of 125.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.

The **Producer Price Index** is a family of indexes that measures the average change over time in the selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. This contrasts with other measures, such as the Consumer Price Index (CPI), that measure price change from the purchaser's perspective.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI and provides investors with a publicly available benchmark for investment performance in the crude oil market.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.