

## Stocks Post Best Week in Two Months

**September 26, 2016** U.S. stocks finished moderately lower on Friday, as investors were put off by a sharp decline in oil; yet following three days of gains, the S&P 500 posted its strongest weekly gain in two months. Oil prices fell nearly 4% on Friday after Saudi Arabia failed to reach an agreement with Iran to cut crude oil production. A number of key technology stocks posted big gains last week, along with relatively safe, strong dividend-paying stocks that investors generally favor when uncertain about the economy. Real Estate, in its first full week of trading as the S&P 500's newest major sector group, surged 4.3%, its best performance since July.

In key economic news last week, Federal Reserve FOMC members voted on Wednesday to leave interest rates unchanged for the sixth straight policy meeting. At her press conference following the announcement, Fed Chair Janet Yellen said the decision was not due to any lack of confidence in the economy but, instead, was “a calculation of cost and benefit” from low inflation, remaining labor market slack and the absence of strong pressure on manufacturing utilization (which might suggest overheating of the market). The FOMC's next consideration for a rate hike is November 1-2, but with the national elections following so closely on November 8th, odds currently favor rate tightening to occur at the Fed's December 14-15 meeting.

For the week, the S&P 500 gained 1.20%, the Dow Industrials added nearly 138-points (+0.76%), and the NASDAQ Composite advanced 1.18% and set a new all-time high on Thursday. All eleven major sector groups posted gains last week, led by the 4.30% surge in Real Estate Investment Trusts (REITs), Utilities (+3.37%), and Telecom (+1.92%). Energy (+0.10%) rose the least. The US Dollar Index weakened by 0.65%, finishing the week at 95.477. Despite the Friday pullback, crude oil futures gained 1.97% last week; while gold and silver futures jumped 2.09% and 4.79% respectively. U.S. government bond prices rose on Friday, capping their best weekly rally since the end of July. Ten-year Treasury note yields, which decline as prices rise, fell 7.4 basis points last week to 1.619%.

### What We're Reading

[Emerging Markets Surged on Dovish Fed ↗](#)

[China's Surging Housing Prices ↗](#)

[Sheila Bair Warns on Student Loan Debt ↗](#)

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### Week's Economic Calendar

**Monday, September 26:** New Home Sales, Dallas Fed Mfg Survey;

**Tuesday, September 27:** S&P/Case-Shiller Home Prices, Markit PMI Services, Consumer Confidence, Richmond Fed Mfg Index;

**Wednesday, September 28:** MBA Mortgage Applications, Durable Goods Orders;

**Thursday, September 29:** Jobless Claims, Corporate Profits, Final 2Q GDP Growth Rate, Intl Trade in Goods, Pending Home Sales;;

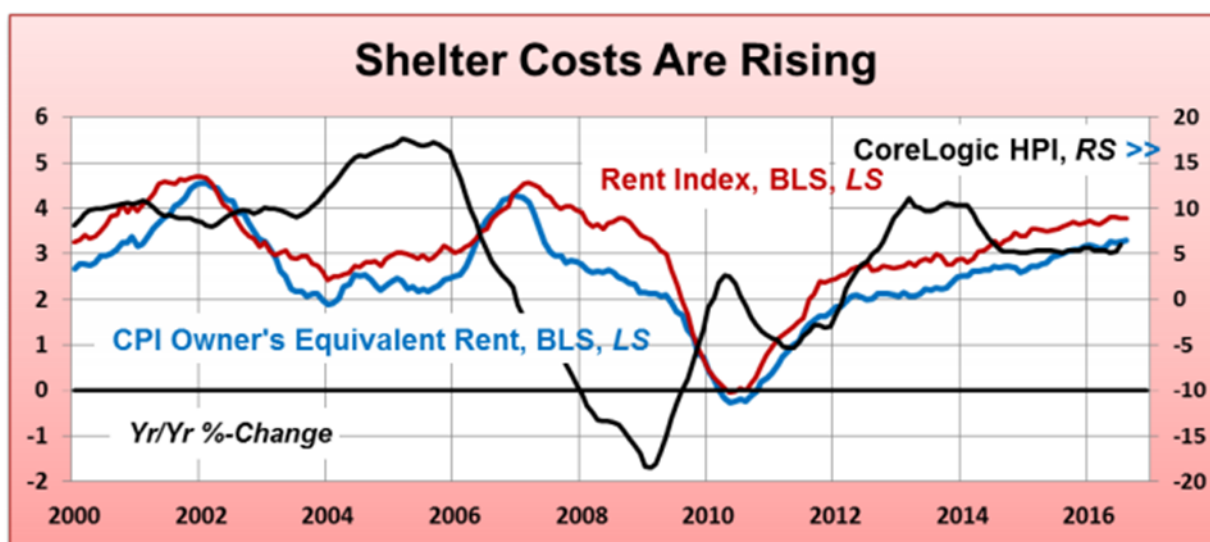
**Friday, September 30:** Personal Income and Outlays, Chicago PMI, Consumer Sentiment.

## Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.76%	-0.76%	1.39%	4.80%	12.15%	5.84%
S&P 500	1.20%	-0.18%	2.97%	7.62%	14.10%	10.66%
NASDAQ Composite	1.18%	1.82%	8.38%	6.95%	13.02%	13.47%
Russell 3000	1.37%	-0.01%	3.39%	8.00%	13.18%	10.07%
MSCI EAFE	3.15%	1.92%	2.23%	2.43%	6.77%	0.49%
MSCI Emerging Markets	3.64%	2.83%	10.84%	17.79%	18.61%	-1.00%
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Barclays Agg Bond	0.52%	-0.12%	1.52%	5.73%	5.34%	4.14%
Barclays Municipal	0.15%	-0.54%	0.42%	3.98%	5.96%	5.63%
Barclays US Corp High Yield	0.82%	0.27%	4.74%	14.66%	10.06%	5.02%
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	1.31%	1.89%	-4.48%	7.57%	-3.04%	-12.80%
S&P GSCI Crude Oil	1.97%	-0.49%	-11.24%	20.09%	0.00%	-24.55%
S&P GSCI Gold	2.40%	2.31%	6.22%	26.55%	18.54%	0.37%

Source: Morningstar

## Chart of the Week: U.S. Housing Costs Are Rising



Source: CoreLogic, Argus Research

It is no surprise that shelter costs represent a large portion of the typical household budget. Accordingly, rent, paid either to a landlord or to oneself as an owner-occupant, has a large weighting in the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) deflator, the two major measures of U.S. consumer prices.

According to CoreLogic, which maintains the broadest index of home prices in the country, the rate of home price appreciation has picked up noticeably in recent months. As is shown in the

chart above, the twelve-month rise in home prices (black line) rose to 6% in July, up from 5.2% the month before.

Home price inflation soared to 11.6% from February through July, up from just 1.6% in the previous five months. The Bureau of Labor Statistics' Rent Index also continues to climb steadily, reaching 3.8% in August, the fastest rise since September 2008. Rentals constitute a little more than 7% of the entire CPI basket. The CPI component of Owners' Equivalent Rent (OER) has reached 3.3%, the fastest rise since May 2007. This estimate is based on consumers who rent their primary residence and it comprises about 25% of the CPI. The OER inflation has consistently been slower than that of actual rentals.

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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.*