

## Tepid August Job Gains Salvage Winning Week

**September 6, 2016** — Stocks advanced on Friday, with a lackluster August payrolls report signaling reduced odds for a September rate hike, but still adequate to preserve investor optimism for a growing economy. The Labor Department said employers added 151,000 new jobs last month, well below economists’ projections for 180,000. In revisions, the net two-month change subtracted 1,000 jobs, while August details showed that factory payrolls declined by 14,000. Unemployment held steady at 4.9%. While the report wasn’t strong enough to overly dampen the run up in Financials last week, it was enough to end a two-week slide on the S&P 500.

In other key economic data last week, the U.S. trade deficit narrowed more-than-forecast in July, with the value of exports reaching a 10-month high. Overseas shipments were led by foods, particularly soybeans, while Imports fell by 0.8%. Factory orders jumped 1.9% in July, the most in nine months and household income climbed by 0.4%. Lastly, the Conference Board’s consumer confidence index increased to 101.1, the highest level in nearly a year.

For the week, the S&P 500 rose 0.56%, the Dow Industrials gained 0.52%, and the NASDAQ Composite increased 0.62%. As mentioned, Financials (+2.03%) gained the most last week, with banks benefiting most from a possible increase in interest rates. Telecom (+1%) and Materials (+0.97%) followed among gainers, while Healthcare (-0.56%) and Energy (-0.49%) lagged the most. The S&P 500 is still, however, trading in the tightest trading range in nearly five decades, unable to move outside of 1% in each of the past eight weeks. The US Dollar Index strengthened last week, albeit moderately up 0.28%, closing at 95.844. Treasuries edged higher last week, slightly lowering the yield on 10-year Treasury notes to 1.603%.

### What We’re Reading

[Bill Gross: One & Done in September](#) ↗

[Global Central Bank Outlook](#) ↗

[Putin Hints at Oil Production Freeze](#) ↗

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### Week’s Economic Calendar

**Monday, Sept 5:** Labor Day holiday, all markets closed.

**Tuesday, Sept 6:** PMI Services Index, ISM Non-Mfg Index, Labor Conditions Index;

**Wednesday, Sept 7:** MBA Mortgage Applications, JOLTS Report, Beige Book;

**Thursday, Sept 8:** Weekly Jobless Claims, Consumer Credit;

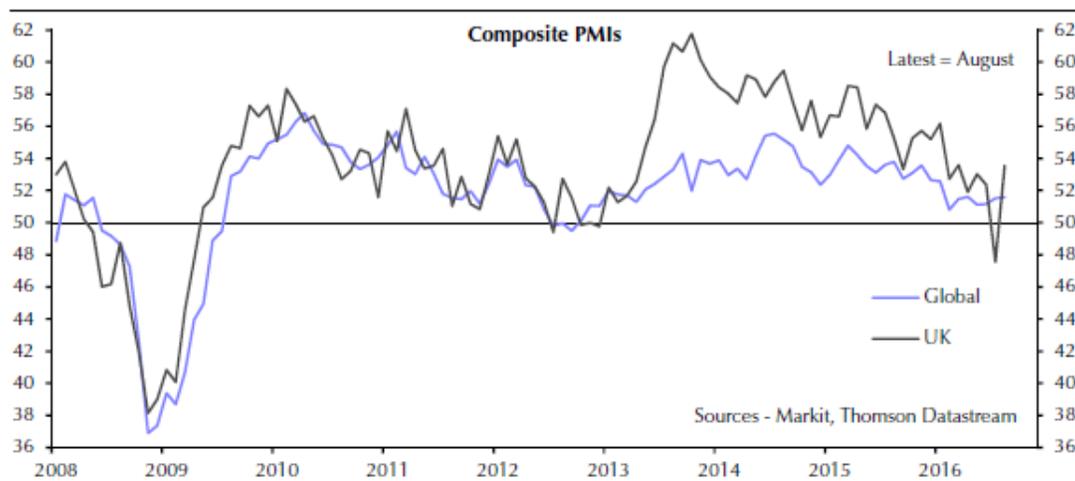
**Friday, Sept 9:** No major data.

## Market Watch

Source: Morningstar

Stocks	1-Week	MTD	3-Months	YTD	1-Year	3-Years
Dow Jones Industrial Aver	0.52%	0.49%	3.66%	6.12%	13.06%	7.68%
S&P 500	0.56%	0.42%	4.10%	8.27%	14.32%	12.46%
NASDAQ Composite	0.62%	0.71%	5.92%	5.78%	11.90%	14.88%
Russell 3000	0.69%	0.53%	4.41%	8.59%	13.31%	11.93%
MSCI EAFE	0.48%	1.46%	3.98%	1.96%	4.14%	2.49%
MSCI EM	-0.11%	0.73%	12.47%	15.38%	15.72%	1.04%
Bonds						
Barclays US Agg Bond	0.17%	-0.15%	2.05%	5.70%	5.81%	4.32%
Barclays Municipal	-0.19%	-0.18%	1.56%	4.35%	6.73%	6.40%
Barclays US Corp High Yield	0.08%	0.01%	5.92%	14.36%	9.11%	5.40%
Commodities						
Bloomberg Commodity	-2.34%	0.26%	-4.21%	5.85%	-6.45%	-13.90%
S&P GSCI Crude Oil	-6.72%	-0.58%	-9.62%	19.98%	-3.91%	-25.54%
S&P GSCI Gold	0.06%	1.17%	9.41%	25.14%	17.00%	-1.68%

## Chart of the Week : No Post-Brexit Crisis...Yet



The latest surveys suggest that the U.K. economy has slowed, but not slumped, following the EU referendum, while growth in the world as a whole has remained sluggish, according to Global Economics. The U.S. economy looks set to pick up a bit after a very weak first half of the year, while activity may slow in the euro-zone and Japan. In emerging market economies, aggregate growth has rebounded because the recessions in Brazil and Russia have eased and estimates suggest that growth in China has stabilized. With inflation still close to zero in advanced economies, Global Economics expects more monetary policy easing by year-end in the euro-zone and Japan, but the Fed is likely to raise interest rates again in December.

As the black line in the chart above reveals, Britain's composite manufacturing and services' Purchasing Managers Index (PMI) activity strongly rebounded in August after a post-Brexit slump. Note the U.K.'s comparative standing relative to the latest global PMI composite readings. The Eurozone's composite PMI held broadly steady in July and August, suggesting that Brexit has had little impact there. Across the Atlantic, the U.S. ISM manufacturing index slumped in August to below 50, while America's service industries expanded at the slowest pace in six-years.

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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 **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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 1000 Index** comprises the 1,000 largest companies in the U.S. equity market, and is a subset of the Russell 3000 Index. The Russell 1000 is a market capitalization-weighted index, meaning that the largest companies constitute the largest percentages in the index, affecting performance more than the smallest index members. The inception date for the Russell 1000 and 3000 indices was January 1, 1984.

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 SmallCap 600** measures the small-cap segment of the U.S. equity market. Introduced in 1994, the index is designed to track the performance of 600 small-size companies in the U.S., reflecting this market segment's distinctive risk and return characteristics. The index measures a segment of the market that is typically known for less liquidity and potentially less financial stability than large-caps, the index was constructed to be an efficient benchmark composed of small-cap companies that meet investability and financial viability criteria.

The **S&P Growth Index** is a float adjusted, market capitalization weighted index of 317 stocks drawn from the S&P 500 Index that exhibit strong growth characteristics. S&P Dow Jones Indices uses three factors to measure growth: sales growth, the ratio of earnings change to price, and momentum.

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 **S&P Value Index** is a float adjusted, market capitalization weighted index of 364 stocks drawn from the S&P 500 Index that exhibit strong value characteristics. S&P Dow Jones Indices uses three factors to measure value: the ratios of book value, earnings and the sales to price sales metric.

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.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USD<sub>X</sub> or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.