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Market Week: August 15, 2016

The Markets (as of market close August 12, 2016)

Talk of a possible cut in oil production following news of an informal meeting of OPEC next month sent energy stocks higher at the beginning of last week. The spike in both energy stocks and market indexes didn't last long, however, as oil prices slumped by midweek, taking equities with them. Nevertheless, by last week's end, stocks rallied to close at just about where they started. In fact, by last Thursday, the Dow, S&P 500, and Nasdaq had surged to all-time highs--the first time all three major indexes had done that on the same day since 1999.

The price of crude oil (WTI) closed at \$44.69 a barrel last week, up from \$41.98 per barrel the previous week. The price of gold (COMEX) remained at about the same price, closing at \$1,341.70 by late Friday afternoon, \$0.30 ahead of the prior week's price of \$1,341.40. The national average retail regular gasoline price decreased for the eighth week in a row to \$2.150 per gallon on August 8, \$0.009 under the prior week's price and \$0.479 below a year ago.

Market/Index	2015 Close	Prior Week	As of 8/12	Weekly Change	YTD Change
DJIA	17425.03	18543.53	18576.47	0.18%	6.61%
Nasdaq	5007.41	5221.12	5232.89	0.23%	4.50%
S&P 500	2043.94	2182.87	2184.05	0.05%	6.85%
Russell 2000	1135.89	1231.30	1229.82	-0.12%	8.27%
Global Dow	2336.45	2414.12	2445.34	1.29%	4.66%
Fed. Funds rate target	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
10-year Treasuries	2.26%	1.59%	1.51%	-8 bps	-75 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

- Some economic indicators in June showed inflationary trends moving upward, but that appears to have been a brief burst as producer prices fell 0.4% in July and retail sales remained unchanged from a month earlier. With July's decrease in prices, the Producer Price Index moved down 0.2% for the prior 12 months. For the month, prices for services fell 0.3% and goods prices decreased 0.4%. The drop in the prices businesses pay for goods and services is the largest one-month decline since September 2015.
- According to the latest estimate from the Census Bureau, retail sales were essentially unchanged in July from June, where sales climbed 0.8%. Compared to July 2015, retail sales for goods and food services are up 2.3%. Excluding motor vehicles, retail sales actually fell 0.3%. Also in July, department store sales fell 0.5%, while online retail sales saw a 1.3% increase over the prior month. Gas prices dropped 2.7%, which could encourage consumers to increase spending on other goods and services in future



Key Dates/Data Releases

8/15: Housing Market Index
8/16: Consumer Price Index,
housing starts, industrial
production

months if gas prices remain subdued.

- Business productivity and efficiency dropped off in the second quarter, continuing the longest stretch of declines since 1979. Output increased 1.2% while hours worked jumped 1.8%, resulting in productivity decreasing 0.5%. From the second quarter of 2015 to the second quarter of 2016, productivity decreased 0.4%. Labor costs increased 2.0% in the second quarter of 2016, reflecting a 1.5% increase in hourly compensation and a 0.5% decline in productivity. This report reveals an unfavorable trend--Americans are working more hours but production is generally lagging, which might curb future wage and economic growth.
- There were 5.6 million job openings on the last day of June, according to the Job Openings and Labor Turnover report from the Bureau of Labor Statistics. Hires and separations were little changed in June from May at 5.1 million and 4.9 million, respectively. Within separations, the quits rate was 2.0% (2.9 million) and the layoffs and discharges rate was 1.1% (1.6 million). This report reflects continuing strength in the employment sector, with increasing hirings and enough worker confidence in the labor market to quit one job for another.
- The budget deficit for July was \$112.8 billion, less than the July 2015 deficit of \$149 billion. Through the first 10 months of the fiscal year, the deficit is \$513.7 billion--about 10% higher than the deficit over the same period last year (\$465.5 billion).
- The prices of imported goods continued to rise in July, moving up 0.1% following a 0.6% increase in June. Prior to July, import price increases were driven by rising fuel prices. In contrast, in July, nonfuel prices led the advance while fuel prices recorded a decrease. Nevertheless, import prices have fallen 3.7% over the last 12 months. Prices for exports rose 0.2% after increasing 2.4% over the 3 previous months. However, for the last 12 months, export prices have declined 3.0%.
- Consumer confidence inched upward in early August as the Index of Consumer Sentiment rose from 90.0 to 90.4. While consumers were still skeptical about current economic conditions, they were generally upbeat about future economic growth.
- In the week ended August 6, the advance figure for seasonally adjusted initial unemployment insurance claims was 266,000, a decrease of 1,000 from the prior week's revised level. The advance seasonally adjusted insured unemployment rate remained at 1.6%. The advance number for seasonally adjusted insured unemployment during the week ended July 30 was 2,155,000, an increase of 14,000 from the previous week's revised level.

Eye on the Week Ahead

Next week's reports include one of the most widely followed indicators of inflationary trends, the Consumer Price Index, which has not shown significant price increases in the past several months, remaining below the Fed's target inflation rate of 2.0%. Another report, the Treasury's Industrial Production Index, not only shows how much factories are producing, but it also measures how much factory capacity is in use. If factory utilization reaches full capacity, production may slow to where it can't keep up with the demand for goods, which can lead to price increases and rising inflation.

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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