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VIRGINIA ASSET GROUP

Market Week: August 8, 2016

The Markets (as of market close August 5, 2016)

Oil prices continued to fall early last week, sending large-cap indexes lower. As the week progressed, oil prices gained some momentum, as did U.S. stock indexes. On the heels of a favorable jobs report, stocks rebounded by the end of last week to post gains in each of the indexes listed here. Both the S&P 500 and Nasdaq reached record highs. The Dow gained more than 111 points over the prior week's closing value. Bond prices fell due to lower demand, sending the yield on 10-year Treasuries up 15 basis points.

Abroad, Japan approved a $274 billion stimulus package in an attempt to spark the it's languid economy. Part of the package includes payment of about $147 to each of the approximately 22 million low-income Japanese. The immediate response from Japanese investors was underwhelming, as the Nikkei Stock Average dropped. The Bank of England cut interest rates for the first time since 2009 to 0.25% and adopted additional stimulus measures in an attempt to support the British economy during the period of adjustment following the vote to leave the EU.

Crude oil (WTI) prices continue to be volatile, falling below $40 during last week, until a moderate rally had the price close at $41.98 a barrel last week, up slightly from $41.38 per barrel the previous week. The price of gold (COMEX) dropped to $1,341.40 by late Friday afternoon, down from the prior week's price of $1,357.90. The national average retail regular gasoline price decreased for the seventh week in a row to $2.159 per gallon on August 1, $0.023 under the prior week's price and $0.530 below a year ago.

Market/Index	2015 Close	Prior Week	As of 8/5	Weekly Change	YTD Change
DJIA	17425.03	18432.24	18543.53	0.60%	6.42%
Nasdaq	5007.41	5162.13	5221.12	1.14%	4.72%
S&P 500	2043.94	2173.60	2182.87	0.43%	6.80%
Russell 2000	1135.89	1219.94	1231.30	0.93%	8.40%
Global Dow	2336.45	2411.26	2414.12	0.12%	3.32%
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%	1.45%	1.59%	14 bps	-67 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

- In another clear sign of a strengthening economy, the jobs report showed 255,000 new jobs were added in July, while the unemployment rate remained at a relatively low 4.9% (7.8 million unemployed). For the month, job gains occurred in professional and business services, health care, and financial activities. The average workweek for all employees on private nonfarm payrolls increased by 0.1 hour to 34.5 hours in July. In July, average hourly earnings for all employees on private nonfarm payrolls increased by $0.08 to $25.69. Over the year, average hourly earnings have risen by 2.6%. This report should be a

Key Dates/Data Releases

8/10: JOLTS, Treasury budget

8/11: Import and export prices

8/12: Retail sales, Producer Price Index, consumer sentiment

boost to the stock market, which has been reacting to volatile oil prices and tepid earnings reports.

- For the third consecutive month, consumers had more to spend in June and they spent it, according to the Bureau of Economic Analysis. Compared to a month earlier, consumers' income increased by 0.2%, disposable personal income (after taxes) also increased by 0.2%, while personal consumption expenditures (purchases of consumer goods and services) jumped 0.4%. As was the case in April and May, consumer spending outpaced income growth. Since consumers are spending more than they're making, it stands to reason that they're saving a little less given that the personal savings rate dipped from 5.5% in May to 5.3% in June. Inflationary pressures remain soft, as the personal consumption expenditures price index--a preferred inflationary measure of the Fed--increased only 0.1% in June from the prior month.
- According to the latest information from the Census Bureau, the goods and services trade deficit reached $44.5 billion in June--up $3.6 billion from May's revised figures--due to a surge in consumer purchases of foreign goods. June exports were $183.2 billion, $0.6 billion more than May exports. June imports were $227.7 billion, $4.2 billion more than May imports. Year-to-date, the goods and services deficit decreased $5.8 billion, or 2.3%, from the same period in 2015. Exports decreased $54.2 billion, or 4.7%. Imports decreased $60.0 billion, or 4.3%.
- The seasonally adjusted Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 52.9 in July, up from 51.3 in the previous month. During the latest survey period, respondents noted improving business conditions evidenced by stronger rates of output and growth in new orders and employment.
- The July PMI® from the Institute for Supply Management also reported growth, but at a slower rate compared to the prior month. The PMI® registered 52.6%, a decrease of 0.6 percentage point from the June reading of 53.2%. An index reading over 50.0% indicates growth. According to the report, 12 of the 18 industries included in the survey reported an increase in new orders in July (same as in June), but only half of the 18 industries reported an increase in production in July (down from 12 in June).
- From the non-manufacturing sector (services, construction, mining, agriculture, forestry, and fishing and hunting) economic activity grew, but at a slower pace in July compared to June. The Non-Manufacturing Index was at 55.5%, down from June's reading of 56.5%. Each of the index sub-components--non-manufacturing business activity, employment, and price--decreased with only new orders gaining in July over June, a sign that business activity may be picking up in the third quarter.
- In the week ended July 30, the advance figure for seasonally adjusted initial unemployment insurance claims was 269,000, an increase of 3,000 from the prior week's 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 23 was 2,138,000, a decrease of 6,000 from the previous week's revised level.

Eye on the Week Ahead

Trading is expected to be light next week, as it has been for much of the summer. Two reports for July that are indicative of inflationary trends--retail sales and the Producer Price Index--come out at the end of next week.

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.