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Market Week: October 3, 2016



The Markets (as of market close September 30, 2016)

Last week equities started off well enough, still feeding off the Fed's decision to leave interest rates alone for the time being. But fear of financial instability for one of the world's largest banks may have prompted many investors to sell, causing the market to tumble by mid-week. However, news that the bank in question was near a deal to settle some of its financial issues quelled some investors' fears, lifting the market back to where it left off the prior week.

Both the Dow and S&P 500 posted slight gains, as did the Nasdaq. The Russell 2000 and Global Dow rebounded by last week's end, but not enough to avoid posting a slight loss for the week.

The price of crude oil (WTI) closed at \$48.05 per barrel last week, up from \$44.59 per barrel the previous week. The price of gold (COMEX) fell, closing at \$1,318.80 by late Friday afternoon, down from the prior week's price of \$1,341.10. The national average retail regular gasoline price decreased to \$2.224 per gallon on September 26, \$0.001 lower than the prior week's price and \$0.098 below a year ago.

Market/Index	2015 Close	Prior Week	As of 9/30	Weekly Change	YTD Change
DJIA	17425.03	18261.45	18308.15	0.26%	5.07%
Nasdaq	5007.41	5305.75	5312.00	0.12%	6.08%
S&P 500	2043.94	2164.69	2168.27	0.17%	6.08%
Russell 2000	1135.89	1254.62	1251.65	-0.24%	10.19%
Global Dow	2336.45	2465.66	2459.21	-0.24%	5.27%
Fed. Funds target rate	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
10-year Treasuries	2.26%	1.61%	1.59%	-2 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

- The gross domestic product grew at a slightly faster pace in the second quarter compared to the first, according to the third and final estimate released by the Bureau of Economic Analysis. The GDP increased at an annual rate of 1.4% in the second quarter of 2016, compared to an 0.8% increase in the first quarter. The second quarter increase in the GDP reflected positive contributions from personal consumption expenditures, exports, and nonresidential fixed investment. These were partly offset by negative contributions from private inventory investment, residential fixed investment, and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased. In any case, the current pace of economic expansion is the slowest since 1949. The price index for gross domestic purchases increased 2.1% in the second quarter, compared with an increase of 0.2% in the first. The price index of the GDP measures changes in the prices of goods and services included in the GDP. The GDP price index is an indicator of inflationary trends.

Key Dates/Data Releases

10/3: PMI Manufacturing Index, ISM Manufacturing Index

10/5: International trade, ISM Non-Manufacturing Index

10/7: Employment situation

- Following several months of positive gains, August proved to be a soft month for consumer income and spending, leading to weak inflationary trends. The latest report from the Bureau of Economic Analysis shows consumer income increased \$39.3 billion (0.2%) in August, disposable (after-tax) income increased \$31.9 billion (0.2%), and consumer purchases of goods and services (personal consumption expenditures) increased \$6.2 billion (less than 0.1%). The price index, which measures the change in prices of consumer goods and services, increased 0.1% for the month, while the price index excluding food and energy (core PCE) gained a scant 0.2%. Year-over-year, the core PCE is up 1.7% — still below the Fed's target of 2.0% inflation.
- During testimony before the Committee on Financial Services, FOMC Chair Janet Yellen indicated that the majority of the Committee favors raising interest rates, but there is no fixed timetable. She said the Committee expects the jobless rate to fall further and job growth to continue.
- The U. S. trade deficit narrowed 0.6% in August from July, according to the latest report from the Census Bureau. The international trade deficit was \$58.4 billion in August, down \$0.4 billion from \$58.8 billion in July. Exports of goods for August were \$124.6 billion, \$0.9 billion more than July exports. Imports of goods for August were \$183.0 billion, \$0.5 billion more than July imports.
- The manufacturing sector followed a favorable July with a weak August. According to the latest Census Bureau report, new orders for manufactured goods (\$0.1 billion), shipments of manufactured goods (\$0.8 billion), unfilled orders (\$1.5 billion), and new orders for capital goods (\$3.1 billion) each declined in August from July. Only inventories of manufactured goods increased, gaining \$0.5 billion, or 0.1%, in August following a 0.4% increase in July.
- With both residential construction and existing home sales falling in August, it isn't a surprise that sales of new homes also dropped off for the month. According to a Census Bureau report, sales of new single-family homes fell 7.6% in August compared to July. But at an annual rate of 609,000, the sales rate in August 2016 is over 20% higher than the sales rate a year ago. The median sales price of new houses sold in August was \$284,000; the average sales price was \$353,600. The seasonally adjusted estimate of new houses for sale at the end of August was 235,000. This represents a supply of 4.6 months at the current sales rate.
- Consumer confidence in the economy grew in September. The Conference Board Consumer Confidence Index® grew to 104.1 in September, up from 101.8 in August. The Present Situation Index rose from 125.3 to 128.5, while the Expectations Index improved from 86.1 last month to 87.8.
- The University of Michigan's Survey of Consumers indicated consumer confidence in economic conditions edged upward in September due to gains among higher income households, while the Sentiment Index among households with incomes under \$75,000 remained at the same level for the third consecutive month. The Index of Consumer Sentiment increased to 91.2 in September (89.8 in August), and the Current Economic Conditions index fell from 107 in August to 104.2, while the Index of Consumer Expectations jumped from 78.7 in August to 82.7 in September.
- In the week ended September 24, the advance figure for seasonally adjusted initial unemployment insurance claims was 254,000, an increase of 3,000 from the prior week's revised level. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended September 17 was 2,062,000, a decrease of 46,000 from the previous week's revised level.

Eye on the Week Ahead

Job growth has been steady throughout much of the year, averaging about 187,000 new jobs per month. The upcoming jobs report this week is expected to show continued growth for September. Also worth noting are reports focusing on the manufacturing sector, which has slowed during the summer but may pick up in the fall.

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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