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# Market Week: October 2, 2017



## The Markets (as of market close September 29, 2017)

The large caps of the Dow and S&P 500 closed last week with moderate gains, while small caps of the Russell 2000 enjoyed substantial gains. The Nasdaq also climbed over 1.0% and continues to lead in the year-to-date race, having gained almost 21.0% over its 2016 year-end value. Analysts suspect that the Trump administration's proposed tax plan, if passed, would add to the federal deficit. This possibility has helped push long-term Treasury yields higher in anticipation of the issuance of more government bonds to offset the deficit.

The price of crude oil (WTI) continued to climb, closing at \$51.64 per barrel, up from the prior week's closing price of \$50.66 per barrel. The price of gold (COMEX) fell to \$1,282.50 by early Friday evening, down from the prior week's price of \$1,300.50. The national average retail regular gasoline price decreased to \$2.583 per gallon on September 25, 2017, \$0.051 less than the prior week's price and \$0.359 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 9/29	Weekly Change	YTD Change
<b>DJIA</b>	19762.60	22349.59	22405.09	0.25%	13.37%
<b>Nasdaq</b>	5383.12	6426.92	6495.96	1.07%	20.67%
<b>S&amp;P 500</b>	2238.83	2502.22	2519.36	0.68%	12.53%
<b>Russell 2000</b>	1357.13	1450.78	1490.86	2.76%	9.85%
<b>Global Dow</b>	2528.21	2907.95	2907.67	-0.01%	15.01%
<b>Fed. Funds target rate</b>	0.50%-0.75%	1.00%-1.25%	1.00%-1.25%	0 bps	50 bps
<b>10-year Treasuries</b>	2.44%	2.20%	2.33%	13 bps	-11 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 Economic Headlines

- The value of the goods and services produced by the economy is measured by gross domestic product. In the second quarter, the GDP increased at a rate of 3.1% compared to an increase of 1.2% in the first quarter. The rise in the rate of economic growth in the second quarter is attributable to increasing personal consumption expenditures, business investment, exports, federal government spending, and private inventory investment. A measure of the income earned during the production of goods and services, the gross domestic income index increased 2.9% in the second quarter after climbing 2.7% in the first quarter. This report may be providing evidence that the economy is slowly but steadily gaining momentum heading into the third quarter.
- August saw personal income (pre-tax), disposable personal income (after-tax), and consumer expenditures increase over July. Personal income increased \$28.6 billion, or 0.2% disposable personal income gained \$14.9 billion, or 0.1% and personal consumption expenditures increased \$18.0 billion, or

## Key Dates/Data Releases

10/2: PMI Manufacturing Index, ISM Manufacturing Index

10/4: ISM Non-Manufacturing Index

10/5: International trade

10/6: Employment situation

0.1%. While each of these indicators increased, the gains are considered marginal at best and highlight what has been a weak stretch of upward inflation. Core personal consumption expenditures (excluding food and energy) is one of the inflation gauges relied upon by the Federal Reserve. Further evidencing weakness in price increases, the core PCE increased a scant 0.1% for the month and is up only 1.3% over the last 12 months.

- Sales of single-family homes dropped 3.4% in August from July. The August sales rate is 1.2% below the August 2016 rate. New home sales prices fell in August. The median sales price of new houses sold in August 2017 was \$300,200 (\$319,900 in July). The average sales price was \$368,100 (\$371,300 in July). The estimate of new houses for sale at the end of August was 284,000. This represents a supply of 6.1 months at the current sales rate.
- Manufacturers of durable goods saw a rebound in new orders and shipments in August following a slow July. New orders for durable goods increased \$3.9 billion, or 1.7%, in August. Transportation equipment, up 2 of the last 3 months, led the increase, up \$3.6 billion, or 4.9%. Shipments of machinery, which climbed 1.1% for the month, led a 0.3% increase in total shipments. Inventories of manufactured durable goods in August, up 13 of the last 14 months, increased \$1.4 billion, or 0.3%. Again, machinery, up 9 of the last 10 months, led the increase, gaining 0.8%.
- The international trade gap for goods narrowed in August. The international trade deficit was \$62.9 billion in August, down \$0.9 billion from \$63.9 billion in July. Exports of goods for August were \$128.9 billion, \$0.3 billion more than July exports. Imports of goods for August were \$191.8 billion, \$0.6 billion less than July imports.
- The Conference Board Consumer Confidence Index® and the University of Michigan's Index of Consumer Sentiment each showed consumer confidence fell in September from August. The hurricanes, North Korea, Charlottesville, and the country's growing divisiveness have affected consumers' economic outlook.
- In the week ended September 23, the advance figure for initial claims for unemployment insurance was 272,000, an increase of 12,000 from the previous week's level, which was revised up 1,000. Hurricanes Harvey and Irma impacted initial claims. The advance insured unemployment rate remained at 1.4%. The advance number of those receiving unemployment insurance during the week ended September 16 was 1,934,000, a decrease of 45,000 from the previous week's revised level.

## Eye on the Week Ahead

The August report on international trade in goods and services is out this week. The trade deficit for July was about \$44 billion. The week ends with employment figures for September. The labor market has been steady for much of the year, although wage increases have been minimal. Average hourly earnings for August increased only 0.1% and were up 2.5% year-over-year. The September report is not expected to significantly deviate from those figures.

*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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