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Market Week: September 26, 2016

The Markets (as of market close September 23, 2016)

Buoyed by news from the Fed and the Bank of Japan that measures intended to stimulate the economy would continue — at least in the short term — U.S. stock and bond prices posted gains for the week. While the response last Wednesday and Thursday was positive in the equities markets, falling oil prices sent stocks tumbling by last week's end. Nevertheless, each of the indexes listed here posted week-on-week gains, with the Russell 2000 and the Global Dow each gaining almost 2.50%. Last week was all about the Fed as investors seem cautiously optimistic that the FOMC won't raise interest rates at least until December.

The price of crude oil (WTI) closed at \$44.59 a barrel last week, up from \$43.19 per barrel the previous week. The price of gold (COMEX) increased, closing at \$1,341.10 by late Friday afternoon, up from the prior week's price of \$1,313.20. The national average retail regular gasoline price increased to \$2.225 per gallon on September 19, \$0.023 higher than the prior week's price and \$0.102 below a year ago.

Market/Index	2015 Close	Prior Week	As of 9/23	Weekly Change	YTD Change
DJIA	17425.03	18123.80	18261.45	0.76%	4.80%
Nasdaq	5007.41	5244.57	5305.75	1.17%	5.96%
S&P 500	2043.94	2139.16	2164.69	1.19%	5.91%
Russell 2000	1135.89	1224.78	1254.62	2.44%	10.45%
Global Dow	2336.45	2403.06	2465.59	2.60%	5.53%
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%	1.69%	1.61%	-8 bps	-65 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

- Echoing sentiments similar to those made following its July meeting, the Federal Open Market Committee decided to keep interest rates at their current level — at least until it meets again in November. According to the FOMC press release, "The Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives." Committee Chair Janet Yellen noted that economic activity has picked up, spurred on by increased household income and spending. The employment sector has also been solid, averaging 180,000 new jobs per month. However, business investment remains soft, particularly in the energy sector. Overall consumer price inflation — as measured by the price index for personal consumption expenditures — was less than 1% over the 12 months ended in July, still short of the Committee's 2% objective. As to the prospects of future rate hikes, Yellen said the federal funds rate projects to increase only gradually to 1.1% at the end of next year, 1.8% at the end of 2018, and 2.6% by the end of 2019.



Key Dates/Data Releases

9/26: New home sales

9/27: Consumer confidence

9/28: Durable goods orders

9/29: GDP, international trade in goods

9/30: Personal income and outlays, consumer sentiment

- The real estate sector was not as robust in August as it was in July. The Census Bureau report on new residential construction revealed that privately-owned housing starts fell 5.8% in August, compared to the prior month. Building permits dropped 0.4% and housing completions were down 3.4% for the month. On the plus side of the report, building permits for single-family home construction rose 3.7% in August over July — a positive indication that builders have confidence in that segment of the real estate market moving forward.
- Existing home sales also fell in August, according to the latest figures from the National Association of Realtors®. Higher home prices and scant inventory were the main reasons sales of existing homes declined 0.9% to a seasonally adjusted annual rate of 5.33 million — off from July's downwardly revised annual rate of 5.38 million, but still slightly ahead of a year ago (5.29 million).
- While the real estate sector may have slowed down in August, home builders are optimistic about the new home market in September. According to the National Association of Home Builders, the Housing Market Index climbed 6 points from its August reading to 65 — the highest reading since October 2015. Builder confidence is high based, in part, on rising household incomes, low mortgage interest rates, and relatively tight inventory of new and existing single-family homes.
- In the week ended September 17, the advance figure for seasonally adjusted initial unemployment insurance claims was 252,000, a decrease of 8,000 from the prior week's unrevised level. The advance seasonally adjusted insured unemployment rate fell to 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended September 10 was 2,113,000, a decrease of 36,000 from the previous week's revised level.

Eye on the Week Ahead

The last week of September brings the final economic reports for August, including the GDP and personal income and outlays — both of which can move the markets.

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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