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**The Markets** (as of market close August 4, 2017)

Last week ended with a mixed bag of stock market performances. The Dow, influenced by a favorable jobs report and strong corporate quarterly earnings, surged to a new record high. The S&P 500 also ended last week in positive territory. Tech stocks did not fare as well as the large caps, pushing the Nasdaq to its second straight week of negative returns. But the worst performance befell the Russell 2000, which plummeted about 1.20% for the week, after falling nearly 0.50% the prior week. Long-term Treasury yields rose last week as prices dropped.

The price of crude oil (WTI) closed at \$49.52 per barrel, down slightly from the prior week's closing price of \$49.79 per barrel. The price of gold (COMEX) closed last week at \$1,264.30 by late Friday afternoon, \$11.30 below the prior week's price of \$1,275.60. The national average retail regular gasoline price increased to \$2.352 per gallon on July 31, 2017, \$0.040 higher than the previous week's price and \$0.193 higher than a year ago.

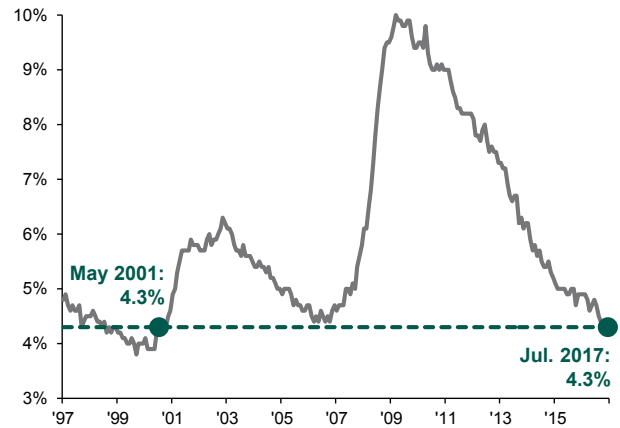
**Last Week's Economic Headlines**

Another strong month of growth in the employment sector as there were 209,000 new jobs added in July. This follows the 231,000 new jobs added in June. Employment growth has averaged 184,000 per month thus far this year. Job gains occurred in food services and drinking places, professional and business services, and health care. The unemployment rate for the month was 4.3%, down from 4.4% in June. The average workweek was unchanged at 34.5 hours in July. Average hourly earnings rose by \$0.09 to \$26.36 in July. Over the year, average hourly earnings have risen by \$0.65, or 2.5%.

Not unexpectedly, growth in consumer income and spending was essentially nonexistent in June. Pre-tax personal income and after-tax personal income were unchanged in June from May. Consumer spending, as measured by personal consumption expenditures (PCE), increased 0.1% in June. Core personal consumption expenditures (excluding food and energy) also

**Labor market tightness is at a 16-year high**

Civilian unemployment rate, seasonally adjusted, percent



Source: Bureau of Labor Statistics, J.P. Morgan Asset Management.

increased 0.1% for the month. For the 12 months ended in June, the PCE was up 1.4%, while the core PCE has gained 1.5%. This report confirms that, entering the summer months, inflation is relatively flat and consumers are not seeing an increase in their income. Consumer spending, which accounts for roughly two-thirds of overall economic activity, has also stagnated.

The final report on the international trade in goods and services deficit for June showed the total trade deficit to be \$43.6 billion, down \$2.7 billion from May. June exports were \$194.4 billion, \$2.4 billion more than May exports. June imports were \$238.0 billion, \$0.4 billion less than May imports. Year-to-date, the goods and services deficit increased \$26.7 billion, or 10.7%, from the same period in 2016.

The purchasing managers' index is a survey of selected companies relative to manufacturing output, new orders, inventory, employment, and prices. IHS Markit and the Institute

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**MARKETSUMMARY**

	8/4/17	1 Week	QTD	YTD	1 Year		8/4/17	12/30/16	8/4/16
<b>S&amp;P 500</b>	2477	0.23 ▲	2.37	11.93 ▲	16.83 ▲	<b>\$ per €</b>	1.18	1.05	1.11
<b>Dow Jones</b>	22093	1.22 ▲	3.64	13.33 ▲	23.44 ▲	<b>\$ per £</b>	1.30	1.24	1.31
<b>Russell 2000</b>	3510	-1.17 ▼	-0.15	4.84 ▲	17.98 ▲	<b>¥ per \$</b>	110.89	116.64	101.10
<b>MSCI EAFE</b>	1948	0.88 ▲	3.51	18.24 ▲	20.81 ▲	<b>Oil (WTI)</b>	49.55	53.75	41.92
<b>NASDAQ</b>	6352	-0.34 ▼	3.50	18.72 ▲	24.32 ▲	<b>Gasoline</b>	2.35	2.31	2.16
<b>10-Year U.S. Treasuries</b>	2.27	2.30 ▲	2.31	2.45 ▲	1.51 ▲	<b>Gold</b>	1258	1146	1363

Source: J.P. Morgan Asset Management

for Supply Management (ISM) each put out a monthly index. The results of each survey are not always similar, as is the case for July. Markit's U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 53.3 in July, up from 52.0 in June, indicating an increase in production. On the other hand, the ISM purchasing managers' index was 56.3%, down 1.5 percentage points from the June reading of 57.8%. It should be noted that a reading over 50% indicates growth, which means manufacturing expanded in July according to the ISM report, but at a slower pace than June.

According to the Institute for Supply Management's Non-Manufacturing ISM® Report on Business®, the non-manufacturing index slipped 3.5 percentage points in July to 53.9%. This represents continued growth in the non-manufacturing sector, but at a slower rate than in June. Survey respondents thought business activity, new orders, and employment decelerated while prices increased in July from June. The report covers industries such as accommodation and food services; utilities; wholesale and retail trade; real estate, rental, and leasing; health care and social assistance; and finance and insurance.

In the week ended July 29, the advance figure for seasonally adjusted initial claims for unemployment insurance was 240,000, a decrease of 5,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 244,000 to 245,000. The advance seasonally adjusted insured unemployment rate remained 1.4%, unchanged from the previous week's unrevised rate. During the week ended July 22, there were 1,968,000 receiving unemployment insurance benefits, an increase of 3,000 from the previous week's revised level. The previous week's level was revised up 1,000 from 1,964,000 to 1,965,000.

## Eye on the Week Ahead

Trading should continue to be light as the summer rolls on. Both producer prices and consumer prices showed little upward movement in June. July's figures are not expected to change that much as reports on the Producer Price Index and the Consumer Price Index are out this week.

## Key Dates/Data Releases

8/8: JOLTS

8/10: Producer Price Index, Treasury budget

8/11: Consumer Price Index

Sources: Broadridge/Forefield.