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The Markets (as of market close October 6, 2017)

Equities continued to surge last week — despite a late Friday's downturn. The Dow rose by 1.65%, followed by the Nasdaq, Russell 2000, and the S&P 500. Only the Global Dow failed to increase by at least 1.0%. The labor report's strong wage gains may have enticed long-term bond investors to sell, pushing prices on 10-year Treasuries lower while inflating yields.

The price of crude oil (WTI) reversed a rising trend over the past few weeks, falling to \$49.25 per barrel, down from the prior week's closing price of \$51.64 per barrel. The price of gold (COMEX) fell to \$1,278.90 by early Friday evening, down from the prior week's price of \$1,282.50. The national average retail regular gasoline price decreased to \$2.565 per gallon on October 2, 2017, \$0.018 less than the prior week's price and \$0.320 more than a year ago.

Last Week's Headlines

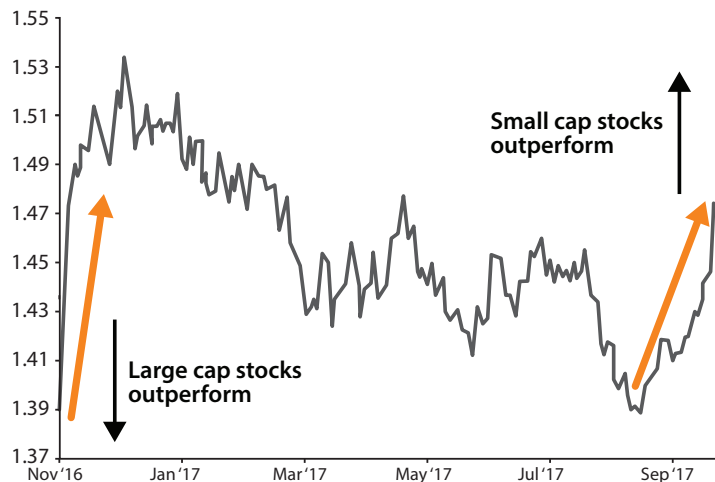
Hurricanes Harvey and Irma could have had a significant impact on the employment figures for September, according to the latest report from the Department of Labor Statistics. The unemployment rate declined to 4.2% — 0.2 percentage point below August's rate. Hourly earnings rose by \$0.12 to \$26.55 and are up \$0.74, or 2.9%, over the last 12 months. For the first time in seven years, nonfarm employment fell by 33,000 in September from August. This information, which may be revised over the next few months, certainly indicates that employment is reaching capacity and wage inflation is spiking, making it more likely that the Fed will raise interest rates in October.

Hurricane Harvey may have disrupted shipping along the Gulf Coast, impacting foreign trade in August. The goods and

services deficit was \$42.4 billion in August, down \$1.2 billion from \$43.6 billion in July, revised. August exports were \$195.3 billion, \$0.8 billion more than July exports. August imports were \$237.7 billion, \$0.4 billion less than July imports. Year-to-date, the goods and services deficit increased \$29.1 billion, or 8.8%, from the same period in 2016. Exports increased \$84.9 billion, or 5.8%. Imports increased \$114.0 billion, or 6.4%. A relatively weak dollar has made U.S. goods and services cheaper to buy for foreign consumers, expanding exports. Moderate domestic economic growth has encouraged buyers to shop in less expensive foreign markets, pushing imports higher.

Investors have renewed optimism for corporate tax reform

Russell 2000 relative to the S&P 500, price index



Source: FactSet, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Purchasing managers were optimistic about the manufacturing sector in September. The IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ expanded to 53.1 from August's reading of 52.8. A similar survey, the Manufacturing ISM® Report On Business®, also grew from 58.8% in August to 60.8% in September. Both the Markit and ISM reports also showed growth in new orders, production, and employment.

In the services sector, purchasing managers were optimistic as reflected in the September non-manufacturing *continued...*

MARKET SUMMARY

	10/06/17	1 Week	QTD	YTD	1 Year		10/06/17	12/30/16	10/06/16
S&P 500	2549	1.25 ▲	1.25	15.67 ▲	20.43 ▲	\$ per €	1.17	1.05	1.12
Dow Jones	22774	1.70 ▲	1.70	17.42 ▲	27.78 ▲	\$ per £	1.31	1.24	1.26
Russell 2000	3753	1.32 ▲	1.32	12.40 ▲	22.83 ▲	¥ per \$	112.81	116.64	103.94
MSCI EAFE	1972	-0.06 ▼	-0.06	20.40 ▲	20.05 ▲	Oil (WTI)	49.33	53.75	50.44
NASDAQ	6590	1.48 ▲	1.48	23.47 ▲	25.60 ▲	Gasoline	2.57	2.31	2.25
10-Year U.S. Treasuries	2.37	2.33 ▲	2.33	2.45 ▲	1.75 ▲	Gold	1262	1146	1255

Source: J.P. Morgan Asset Management

index of 59.8%, which is an increase of 4.5 percentage points over August. A reading over 50.0% represents growth, so September's reading indicates continued growth in the non-manufacturing sector, but at a faster rate. This is the highest reading since August 2005, when the index registered 61.3%. Non-manufacturing industries reporting growth in September include retail trade; real estate, rental & leasing; finance & insurance; and accommodation & food services.

In the week ended September 30, the advance figure for initial claims for unemployment insurance was 260,000, a decrease of 12,000 from the previous week's unrevised level. The advance insured unemployment rate remained at 1.4%. The advance number of those receiving unemployment insurance during the week ended September 23 was 1,938,000, an increase of 2,000 from the previous week's revised level.

Eye on the Week Ahead

Trading during the Columbus Day week is expected to be slow. From an economic perspective, the first reports of inflationary indicators for September are out next week, including the Consumer Price Index and the Producer Price Index. Price growth has been weak for 2017 and is not expected to have changed much in September.

Key Dates/Data Releases

10/11: JOLTS

10/12: Producer Price Index, Treasury budget

10/13: Consumer Price Index, retail sales

Sources: Broadridge/Forefield.