



Market in a Minute

August 9, 2016

Index Performance: As of August 5, 2016

Index	Price	Last Week	YTD
Dow Jones 30	18544	0.6%	6.4%
S&P 500	2183	0.4%	6.8%
NASDAQ	5221	1.1%	4.3%
Russell 2000	1231	0.9%	7.1%
Russell 2000 Growth	744	0.7%	5.2%
Russell 2000 Value	1542	1.1%	11.7%
Russell 1000 Growth	1057	0.6%	5.7%
Russell 1000 Value	1277	0.4%	9.8%
Shanghai SE Index	3116	-0.1%	-15.9%
SPDR Gold Shares	127.50	-1.2%	25.7%
GS Crude Oil Total Return	5.30	1.3%	-14.9%
Powershares US \$ Index	24.88	0.9%	-3.0%
Ishares EAFE Index	57.75	-0.5%	-1.7%
iShares Barclays 20+ Yr Treasury Bond	138.00	-2.5%	14.4%
Utilities Select Sector ETF	50.75	-2.6%	17.3%
Vanguard REIT ETF	90.33	-2.3%	13.3%
iShares Mortgage Real Estate	10.81	1.8%	13.1%
Wells Fargo BDC	21.57	0.6%	6.4%
Alerian MLP ETF	12.84	0.1%	6.6%
iShares Global Telecom	63.41	-0.5%	9.6%

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	781	1.6%	8.3%
Consumer Disc.	647	-0.1%	4.2%
Consumer Staples	559	-0.1%	7.9%

A Word on the Market by Pat Adams, CFA

The market reacted very positively to the Employment report last Friday. The market liked the 255,000 new jobs, however the report appears to be inflated. There is an adjustment made by the Department of Labor called the Birth-Death ratio, which is the net number of jobs provided from newly started businesses (births) and closings (deaths) during the period. What tends to happen during periods of inflection in the business cycle, is it tends to over report the true job numbers. The July report had 112,000 additional jobs from the B-D ratio. In May it added 224,000 jobs. Without the bias of the B-D ratio the new jobs in July would have only been 143,000, which is consistent with the ADP number of 179,000. What's more interesting is the job number from May. Without the adjustment, the new jobs would have been a loss of 200,000.

The Federal Reserve is building a case to raise interest rates this year, partly based on these job numbers. The market is focused on the July Retail Sales report on Friday. A strong number would go a long way in building a case for the Fed. Earnings for the companies in the S&P 500 for the second quarter are down -3.5% thus far, with a large number of companies reporting.

There are a number of smart and well known investors that have an extremely negative view of both the stock and bond market. So why isn't the market reacting to that? We view this type of money to be the smart money and it anticipates rather than reacts. The money that reacts is most of the market. It, by definition, does not anticipate, but follows the trend. This doesn't mean that something is going to happen, but consistently the smart investors are saying, the markets have a high degree of risk. As you know we have a very cautious view of the bond and stock market, but would note our technical model is in a positive mode.

The VIX has become very low again. The VIX is a measure of fear. It is currently at 11.5, which is about as low as it gets. Granted it can stay at these low levels for a while. The indicator is saying there is very little concern in the

Health Care	870	0.0%	4.4%
Financials	323	1.4%	0.5%
Industrials	506	0.4%	9.1%
Energy	502	-0.1%	11.9%
Telecommunications	179	-1.8%	19.6%
Utilities	258	-2.7%	17.1%
Materials	306	0.1%	11.7%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.50	5-Year	1.13
3-Month	0.28	10-Year	1.59
6-Month	0.45	30-Year	2.32
2-Year	0.72		

Source: Bloomberg.com

Economic Events This Week

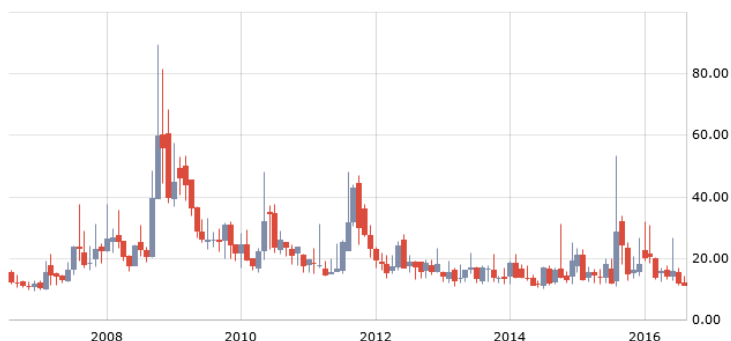
Date	Event	Forecast	Previous
9-Aug	Productivity-Prel	0.5%	-0.6%
9-Aug	Wholesale Inventories	0.2%	0.1%
11-Aug	Initial Claims	266K	269K
12-Aug	PPI	0.0%	0.5%
12-Aug	Core PPI	0.2%	0.4%
12-Aug	Retail Sales	0.4%	0.6%
12-Aug	Retail Sales ex-auto	0.2%	0.7%
12-Aug	Michigan Sentiment	90.2	90.0
12-Aug	Business Inventories	0.1%	0.2%

Source: Briefing.com

Economic Events Last Week

Date	Event
1-Aug	The ISM Index for Jul. came in at 52.6 which was slightly lower than estimates of 53.1
1-Aug	Construction Spending for Jun. dropped -0.6% compared to expectations of 0.7%
2-Aug	Personal Income for Jun. rose 0.2% vs. forecasts of 0.3%

markets. We use this indicator as a contrarian indicator. Meaning, when it is low like this it is concerning. We had market volatility earlier this year, and in 2015. The VIX spiked on both occasions.



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2-Aug	Personal Spending for Jun. was up 0.4% vs. estimates of 0.3%
4-Aug	Initial Claims for the week of 7/30 came in at 269K vs. consensus forecasts of 264K
4-Aug	Factory Orders for Jun. was -1.5% which was better vs. estimates of -1.9%
5-Aug	Nonfarm Payrolls for Jul. came in at 255K compared to forecasts of 185K
5-Aug	Nonfarm Private Payrolls for Jul. were 217K vs. expectations of 171K
5-Aug	Unemployment Rate for Jul. was reported at 4.9% vs. estimates of 4.8%
5-Aug	Average Hourly Earnings for Jul rose 0.3% which was better than forecasts of 0.2%
Source: Briefing.com	

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