

AUGUST 1, 2016

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**U.S. EQUITIES**

*U.S. stocks were mixed as the S&P 500 barely missed a new high, and the Nasdaq Composite closed at its best finish in more than a year as Wall Street shook off earlier concerns about sluggish second-quarter domestic growth to end with modest gains.*

- a) *Dow Jones -0.75% MTD +2.94% YTD +7.38%*    b) *S&P 500 -0.05% MTD +3.69% YTD +7.66%*  
 c) *Russell 2000 +0.59% MTD +5.97% YTD +8.32%*

Drivers: I) *The U.S. economy expanded at a slightly faster 1.2% pace in the second quarter, but a large rebound in consumer spending was overshadowed by the largest drop in business investment since the end of the Great Recession.* The pace of growth in the spring was well below forecast. The Atlanta Federal Reserve's closely followed GDPNow had estimated a 1.8% increase in gross domestic product.

II) *Businesses cut fixed investment by 3.2%, the largest drop since 2009. And the value of inventories contracted for the first time since 2011, falling by \$13 billion.* Also companies are not showing any sign they soon plan to ramp up investment, one of the three main pillars of economic growth. *Market pundits believe firms may take a wait and see attitude until after the U.S. presidential election,* an approach that could constrain the economy.

III) *New home sales jumped in June as sales data from prior months were revised upward, further signaling solid demand in the housing market.* June sales rose 3.5% to a seasonally adjusted annual rate of 592,000, the Commerce Department reported last week. *That was the strongest since February 2008, beating the 560,000 forecast by economists.* The median price jumped to \$306,700 in June, 6% higher than a year ago.

IV) *After a two-day meeting of its policy-making committee, as expected, the Fed kept its benchmark fed-funds rate unchanged in a range between 0.25 and 0.5%.* "Near-term risks to the economic outlook have diminished," the Fed said in its policy statement released after a two-day meeting. *The Fed wanted to signal that a rate hike in September is possible.*

V) *Equity prices in July were higher with Small-Cap, Growth, Information Technology and Technology leading equity price performance. The laggards for the month are Large-Cap and Value Stocks along with Energy.*

Capitalization: *Large Caps +3.81%* (YTD +7.69%), *Mid-Caps +4.57%* (YTD +10.31%) and *Small Caps +5.97%* (YTD +8.32%). Style: *Value +4.39%* (YTD +14.66%) and *Growth +4.68%* (YTD +10.05%). Industry Groups (Leaders): *Telecommunication +1.05%* (YTD +25.96%), *Utilities +0.71%* (YTD +22.37%), *Energy -1.25%* (YTD +13.26%), *Materials +5.12%* (YTD 13.04%), *Consumer Staples +1.33%* (YTD +12.36%), *Industrials +3.65%* (YTD +10.66%), *Technology +7.04%* (YTD +9.42%), *Information Technology +7.69%* (YTD +7.76%), *Consumer Discretionary +4.97%* (YTD +5.97%), *Healthcare +4.97%* (YTD +5.58), and *Financial Services +3.53%* (YTD +0.30%). (Laggards):

**EUROPEAN EQUITIES**

*The MSCI Europe index was higher last week rising +2.20%. European equities rose as bank shares performed well ahead of the release of stress-test results for the industry and investors reacted to a flood of quarterly earnings results.*

Drivers: I) *The European Union's statistics agency reported gross domestic product across the euro-zone during the second quarter was 0.3% higher than in the first three months of the year,* and 1.6% higher than in the same period of 2015. On an annualized basis, second-quarter growth slowed to 1.2% from 2.2%. *The euro-zone economy slowed in the three months to June, leaving it trapped in a sub-par recovery with very low inflation after two years of increasing central bank stimulus.*

II) *Eurostat said consumer prices in July were just 0.2% higher than in the same month last year, a slight pickup from the 0.1% rate of inflation recorded in June.* The ECB's target is an inflation rate of just under 2%.

Reversing its role in the first quarter, the euro-zone slowdown was largely driven by a weaker-than-expected performance in France, the currency area's second-largest member.

III) *Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index rose +2.20% for the week (MTD +4.19% YTD -1.16%).*

#### ASIAN EQUITIES

*Asian equity markets were mixed as the Bank of Japan delivered a big disappointment to markets Friday, offering a moderate easing when many investors were expecting more aggressive action. The Dow Jones Asia Pacific Index was up +2.10% for the week, (MTD +5.25), (YTD +4.02%).*

Drivers: I) *The BOJ doubled its annual purchase target of Japanese exchange-traded funds to \$57 billion, but it disappointed by failing to expand its bond-buying program.* And the decision to leave its policy rate unchanged at minus 0.1% was particularly disappointing, shifting yields higher at the short end of the Japanese government-bond yield curve.

II) *Japanese retail sales posted the fourth straight year-on-year decline in June amid a mix of positive and negative factors including stimulus efforts in Japan and slower spending by Chinese tourists.* Retail sales fell 1.4% from a year before, data from the Ministry of Economy, Trade and Industry reported last Friday. On month, retail sales increased 0.2%. Sales at large-scale retailers fell 1.5% on year, after adjustment for the change in the number of stores.

III) *Performance of Asian Indexes for the week, month-to-date and year-to-date. The Nikkei was lower by -0.35% (MTD +6.39% YTD -12.95%), the Hang Seng Index fell by -0.33% (MTD +5.31% YTD -0.11%) and the Shanghai Composite declined by -1.11% (MTD +1.70% YTD -15.82%).*

#### FIXED INCOME

*Treasury prices rose last week ending July with a second straight monthly advance, leading yields to drop by the largest amount since February due to worries over the U.K.'s vote to exit the European Union and dovish stances by central banks across the world.*

Performance: I) *The 10-year Treasury was lower last week ending at 1.452% down from 1.566%. The 30-year yield fell last week declining from 2.283% to 2.182%.*

II) *Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.48% last week, MTD +0.63% and YTD +5.98%. The Barclays US MBS TR rose by +0.25% last week, MTD +0.20% and YTD +3.32%. The Barclay's US Corporate HY Index fell by -0.41%, MTD +2.70% and YTD +12.06%.*

#### COMMODITIES

*The DJ Commodity Index was lower last week by -0.56% dropping from 261.18 to 259.62 and is down month to date -5.95% (YTD +7.41%) as supply concerns were seen in the energy, livestock and agricultural sectors.*

Performance: I) *The price of oil posted a loss of more than 14% for the month, the largest monthly percentage decline in a year, on persistent concerns regarding crude oversupply and the flood of refined products such as gasoline.* For the week oil declined by -6.51% from \$44.26 to \$41.38 per barrel (MTD -14.85% YTD +1.65%).

II) *The ICE USD Index, a gauge of the greenback's movement against six other major currencies, was negative falling -1.88% from 97.35 to 95.52 for the week (MTD +0.07% YTD -3.21%). The USD declined last week weakening in the wake of weaker-than-expected second-quarter GDP growth, while the yen rallied after the Bank of Japan delivered a smaller-than-expected round of additional stimulus.* For the week the Yen strengthened rising from ¥106.12 to ¥ 102.07 and the Euro rose from 1.0979 to 1.1175 against the USD

III) *Gold ended with a monthly gain in June, after a report on U.S. economic growth came in weaker than expected, pushing the dollar lower and lifting prices for the precious metal higher to a three-week high.* For the week gold was higher by +2.09% climbing from \$1330.1 to \$1357.9 (MTD +1.88% YTD 27.92%).

#### HEDGE FUNDS

*Hedge funds returns in July are higher, with core strategies Equity Hedge, Event Driven, Distressed, Macro and Relative Value all in positive territory.*

#### Performance:

- I) *The HFRX Global Hedge Fund Index is higher at +1.35% MTD and +0.51% YTD.*
- II) *Equity Hedge has advanced +1.93% MTD and has fallen -2.06% YTD.*
- III) *Event Driven is up MTD +1.97% and is up YTD +5.28%.*
- IV) *Distressed Debt is higher at +3.41% MTD and is positive YTD +11.05%*
- V) *Macro/CTA has risen by +0.22% MTD and is down -0.11% YTD.*
- VI) *Relative Value Arbitrage is positive at +0.94% and is down -0.82% YTD.*

#### ECONOMIC DATA WATCH AND MARKET OUTLOOK

*As we look forward to the coming week, the bull market is one of the oldest on record, but it can still move upward if corporate earnings continue to surprise on the upside supporting the premise the US economy's recovery remains in place.*

*With 63% of S&P 500 companies having announced quarterly results, 71% have beat on earnings and 57% have reported revenue above estimates, FactSet data show. The percentage of companies turning in better-than-expected earnings per share is above the 1-year average of 70% and 5-year average of 67%, according to FactSet.*

*Looking beyond next week, the market outlook gets cloudy given that August is statistically a weak month. Over the past 10 years, the S&P 500 has, on the average, dropped 0.65% in August, according to LPL Research.*

*On the economic data front, the labor market rebounded in June, adding 287,000 jobs after a disappointing May reading of 11,000, according to Labor Department data. But the broader trend suggests a slowdown, with nonfarm payroll gains averaging 172,000 a month so far this year versus 229,000 in 2015. Wage figures in Friday's jobs report may help show whether the labor market is getting tighter or the economy softer. Other key gauges include the labor-force participation rate and measures of unemployment.*

Consumers are the biggest source of demand in the U.S. economy. Spending slowed during the winter but appears to have picked up in the spring. *The Commerce Department's personal spending and income figures for June will show whether households ended the second quarter on the plus or minus side.* Tuesday's report also offers an update on the Federal Reserve's preferred inflation gauge, the price index for personal-consumption expenditures.

*The manufacturing sector was hampered by a strong dollar, slow overseas growth and an energy-industry slump. By some measures, though, it appears to have stabilized in recent months. The Institute for Supply Management's index of manufacturing activity, out Monday, will show whether the sector sank, held steady or picked up in July.*

*ISM also measures growth in the service sector. The institute's nonmanufacturing survey, out Wednesday, targets the vast but often difficult to measure segment of the economy. Services are more insulated from global upheaval and have been performing significantly better than their manufacturing counterpart.*