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S&P 500 Closes at Another New Record

Weekly Update – July 25, 2016

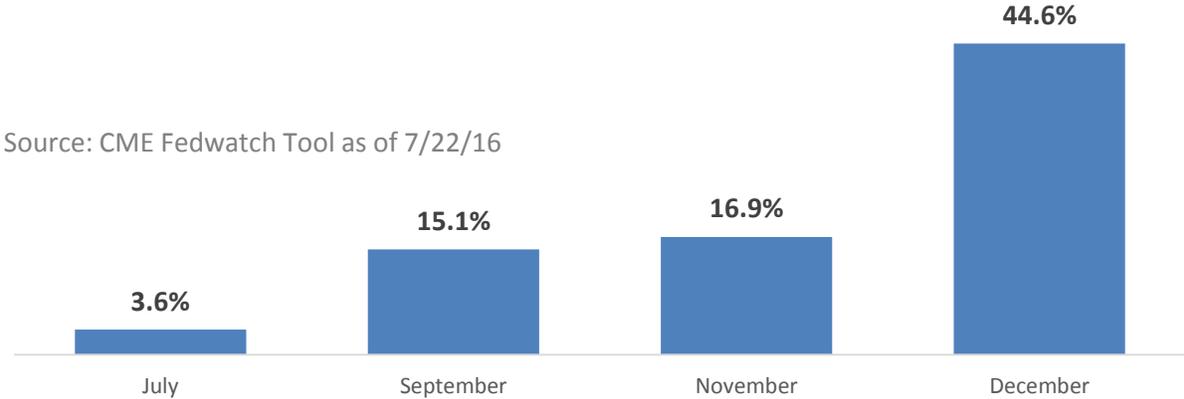
Stocks ended a fourth straight week of gains, sending the S&P 500 index to another record high.ⁱ For the week, the S&P 500 gained 0.61%, the Dow grew 0.29%, the NASDAQ added 1.40%, and the MSCI EAFE closed flat.ⁱⁱ

Second-quarter earnings season is in full swing, and the picture thus far is much like that of the last four quarters: uninspiring performance eked out on very little revenue growth. However, there are some encouraging signs that could presage better performance in the months to come.

As of July 22nd, we have data from 126 S&P 500 companies, accounting for almost one-third of the index’s total capitalization. Overall Q2 earnings for these companies are down 1.1% from the second quarter of last year on 2.6% lower revenues. However, over 70% have managed to beat earnings estimates, indicating that managers did a good job of setting the bar low.ⁱⁱⁱ There are also plenty of revenue surprises from firms that saw more demand than expected.

Though it’s disappointing to see another quarter of negative growth, the picture for U.S. firms appears to be improving. Revenue growth is tracking above what we saw from this same group in the first quarter. That’s a sign that demand is better than it was earlier this year.

When Will the Federal Reserve Raise Interest Rates?



In the week ahead, all eyes will turn to the Federal Reserve's Open Market Committee Meeting to see what guidance the central bank will issue. Though virtually no one on Wall Street expects the Fed to raise interest rates at this meeting, many analysts believe strong domestic data will give the Fed the confidence it needs to raise rates before the end of the year. Traders will be watching closely to see whether the Fed strengthens the language in its statement to prepare markets for a future hike. The week ahead is also a decisive one for earnings, with nearly 1,000 companies reporting, including 189 S&P 500 firms.^{iv}

ECONOMIC CALENDAR:

Monday: Dallas Fed Manufacturing Survey

Tuesday: S&P Case-Shiller HPI, New Home Sales, Consumer Confidence

Wednesday: Durable Goods Orders, Pending Home Sales Index, EIA Petroleum Status Report, **FOMC Meeting Announcement 2:00 PM ET**

Thursday: International Trade in Goods, Jobless Claims

Friday: GDP, Employment Cost Index, Chicago PMI, Consumer Sentiment

Data as of 7/22/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	0.61%	6.41%	2.88%	12.34%	7.54%
DOW	0.29%	6.58%	4.03%	9.29%	7.09%
NASDAQ	1.40%	1.85%	-1.38%	15.68%	15.24%
U.S. Corporate Bond Index	0.28%	8.21%	8.40%	5.83%	7.98%
International	0.00%	-3.85%	-11.86%	-0.79%	-0.66%
Data as of 7/22/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.29%	0.44%	0.55%	1.13%	1.57%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

HEADLINES:

June housing starts rise. Groundbreaking activity on new homes rose 4.8% last month, beating expectations. However, revised May numbers suggest the housing sector isn't picking up speed.^v

Weekly jobless claims fall to three-month low. The number of Americans filing for new unemployment benefits fell last week to the lowest reading since April, supporting strong labor market trends.^{vi}

Home resales rise in June. Sales of existing homes surged 1.1% last month to the fastest pace in nine years. Low mortgage rates likely contributed.^{vii}

Manufacturing activity expands more than expected. A measure of manufacturing sector activity surged to a nine-month high in July, indicating that demand for U.S. factory goods may be rising in the third quarter.^{viii}

QUOTE OF THE WEEK



"It's always helpful to learn from your mistakes because then your mistakes seem worthwhile."

– Garry Marshall

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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ⁱ <http://www.cnbc.com/2016/07/22/us-stocks-open-higher-as-investors-wade-through-mixed-earnings.html>

ⁱⁱ <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1468555200&period2=1469160000&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1468555200&period2=1469160000&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EIXIC/history?period1=1468555200&period2=1469160000&interval=1d&filter=history&frequency=1d>

<https://www.msci.com/end-of-day-data-search>

ⁱⁱⁱ <https://www.zacks.com/commentary/86494/is-the-earnings-picture-improving>

<https://www.zacks.com/commentary/86598/decisive-week-for-the-q2-earnings-season>

^{iv} <https://www.zacks.com/commentary/86598/decisive-week-for-the-q2-earnings-season>

^v <http://www.foxbusiness.com/markets/2016/07/19/june-housing-starts-rise-4-8.html>

^{vi} <http://www.foxbusiness.com/markets/2016/07/21/weekly-jobless-claims-fall-by-1000.html>

^{vii} <http://www.foxbusiness.com/markets/2016/07/21/existing-home-sales-rise-1-1-in-june.html>

^{viii} <http://www.nasdaq.com/article/us-markit-manufacturing-pmi-hits-9-month-high-in-july-cm653540>