The Week In Review

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Week Ending: Friday, July 28, 2017

Recap & Commentary

Markets were little changed following a week that saw the release of a number of earnings reports, second quarter GDP data, and the Senate's seemingly never-ending attempts to reform the Affordable Care Act (ACA). On the latter point, a dramatic vote held in the early hours of Friday morning saw the Senate's last best chance to reform the ACA fail by a margin of 51-49. While its unlikely that healthcare reform will be abandoned entirely, it appears, for the time being, that the political will to do so has largely been exhausted.

Through Friday ~60% of S&P 500 companies had reported second quarter earnings. Thus far 73% have beaten both top and bottom line expectations. According to FactSet, second quarter earnings' are currently on pace for 9.1% growth, up from 6.8% at the outset of earnings season. The upbeat tone to earnings is arguably one reason that markets seem to have largely shrugged off the political drama in Washington.

U.S. economic growth accelerated in the second quarter to 2.6%, up from a downwardly revised 1.2% in the first quarter. The improvement was driven by an increase in consumer spending as well as business and government spending. Second quarter continued the trend seen over the past several years of first quarter being significantly weaker than the fourth quarter preceding it, and the second quarter following it. The government has pointed to "seasonality" as being a factor in the trend.

Economic Bullet Points

Housing market data was mixed in the week. **Existing Home Sales** fell -1.8% in June, but remain positive year over year. While sales in the first half were soft, unit prices are rising, the median home price up 6.5 % over last year to $263.8K. Supply has declined -7.1% on a year-over-year basis. **New Home Sales** rose to a 610K annualized rate in June, this near their best level of the expansion. Prices fell -4.2% in the month, but remain quite high with the median at $310.8K. The **Case-Shiller HPI** moderated slightly in May, the index managed only a 0.1% gain.

Data out of the factory sector was also rather mixed but looking better, as evidenced by durable goods orders report and positives in international trade. **Durable Goods Orders** in June swung higher due to civilian aircraft orders, which surged 131%, bringing the total orders up 6.5% for the month. Ex-transportation, orders managed only a 0.2% gain. As for **International Trade**, June's goods deficit was smaller than expected at -$63.9B, led by exports of food products, capital goods and vehicles. Imports fell slightly.

Initial Jobless claims rose 10K last week to 244K total, a figure that offset a significant decline in the week prior, and remain at historic lows. Consumer data, both hard and soft, was positive. **Consumer Confidence** continued its climb to unusually high levels. The index, at 121 for July, posted its seventh-straight reading above 110, which hasn't happened in nearly 20 years. **Consumer Sentiment** was also high, but fell off June's figure as a result of weakening expectations. As for hard data, **GDP** grew a healthy 2.6% annualized rate, helped by consumer spending which was up 2.8%. This data supportive of a positive outlook for the second half.

Of Note

- Pakistani Prime Minister Nawaz Sharif was removed from office on corruption charges following a ruling by the country's Supreme Court. It marked the third time that Sharif has been ousted as the Prime Minister since the early 1990s.

Market Indices	Week of 7/28
S&P 500	0.0%
Russell 2000	-0.5%
MSCI EAFE	0.2%
MSCI EM	0.3%
Commodities	1.8%
Barclay's Agg.	-0.2%
US Dollar Index	-0.6%
10-Yr Yield	2.29%
Oil ($/bl)	$50
Gold ($/oz)	$1,265

The Week Ahead

- ISM Mfg. Index
- Factory Orders
- ISM Non-Mfg. Index
- International Trade
- Construction Spending
- Personal Income & Outlays
- Employment Situation
- Jobless Claims

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