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"No Equity Market Slowdown Yet!"

US equity markets closed out the second quarter with a strong June and opened up the third quarter with an even better showing in the month of July. Solid market gains in the U.S. were seemingly driven by improving economic fundamentals, while international markets were boosted by diminishing geopolitical risks in Europe and relatively attractive fundamentals as well. However, with domestic and international equity markets continuing to climb, it's fair to wonder whether there's a point at which they will begin to slow.

With regard to economic data, the month of July started out strong with a solid showing for the employment report. Unemployment came in at a very low 4.4% and job creation numbers came in well above consensus expectations. The report showed that non-farm payrolls increased an impressive 222,000 versus the consensus expectation of 170,000. Moreover, consumer confidence was also a positive data point during the month, as the index came in at a level of 121.1, just shy of the 124.9 level posted in March, which was a 17-year high. Finally, second quarter GDP growth came in at a healthy 2.6%, with the consumer spending component also healthy at a 2.8% rate. With regard to spending, consumer durables were very strong despite weakness in vehicle sales, while nondurables were solid as well, despite lower gas prices.

On the flip side of the coin, the FOMC kept rates unchanged as expected. However for a second meeting in a row, inflation is a thorn in the FOMC's side, with core inflation described as "declining somewhat" in June, while the July statement discarded "somewhat" and simply described core inflation as "declining". This may give the FOMC some pause next month, despite the expectation that they would raise rates in September.

Equity markets were up significantly for the month with the DJIA gaining a strong 2.7% and the S&P 500 up 2.1%. Both indices have had quite the run thus far in 2017, with the DJIA adding 12.3% and the S&P 500 tacking on 11.6% through the first 7 months. The NASDAQ index bested both, gaining 3.4% in July. The index is up almost 18% so far this year

	July 2017	YTD
DJIA	2.68%	12.28%
S&P 500	2.06%	11.59%
NASDAQ	3.38%	17.93%
MSCI EAFE	2.88%	17.09%
MSCI Emerging Markets	5.96%	25.49%
Barclays Aggregate	0.43%	2.71%
Barclays Corp High Yield	1.11%	6.09%
	7/31/2017	6/30/2017
US 10-Year Treasury	2.30%	2.31%

Internationally, economic growth has continued on the right trajectory and the European Central Bank continues to feel good about the recovery in the Eurozone. As a result of the positive sentiment, the MSCI EAFE Index was up 2.9% for the month of July and has gained over 17% year-to-date. Emerging markets, as measured by the MSCI EM Index, continue to soar. The index gained 6% for the month and has skyrocketed 25.5% this year.

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Regarding fixed income, it was a somewhat nondescript month for investment grade bonds. The Bloomberg Barclays U.S. Aggregate Index added a muted 0.4% and is up just 2.7% thus far in 2017. However, the Bloomberg Barclays U.S. High Yield Index continues to climb, up 1.1% for the month and up 6.1% year-to-date.

We continue to be amazed at the resilience of the equity markets. The end of July marks over 270 consecutive days without a correction of 5% or more in the markets. As indicated in last month's Market Update, this is far more than the 78 consecutive days for previous bull markets. The market and investors alike will keep a close eye on the administration's progress (or lack thereof) with regard to its proposed policy changes, and will keep a keen eye of the Fed's next meeting. Any surprises with respect to either of these may lead to a bit more volatility than we have seen in previous months.

For previous market commentaries please click here.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

The S&P Case Shiller Index is a group of indexes that tracks home prices in the U.S.. It seeks to measures the value of residential real estate in 20 major U.S. cities.

Michigan Consumer Sentiment Index is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.

Conference Board's Consumer Confidence Index an index by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.

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