



## THE WEEK IN REVIEW

As bond yields fell on weaker-than-expected inflation, U.S. equities posted modest gains to end the week at a record high. The week was relatively light in terms of economic data reports until Friday when retail sales figures, consumer price index numbers, and the University of Michigan Consumer Sentiment Index were released. The minutes from the last Federal Open Market Committee meeting came out Wednesday, revealing very little in the way of new information about the Fed's plan for monetary policy in the coming months. With few macroeconomic data releases until today, corporate headlines took the spotlight for much of the week.

On Tuesday, shares of Wal-Mart Stores Inc. climbed 4.5% after the company said that it expected its e-commerce sales to balloon 40% in the next fiscal year. The biggest rally in the company's shares in the last twelve months was also driven by the announcement that the hypermarket plans to add 1,000 online-grocery locations. Shares of Citigroup Inc. and JPMorgan Chase & Co. both suffered losses on Thursday despite both companies beating top and bottom line consensus estimates. While trading revenue was lower for both firms during the third quarter, it was actually the increase in charge-offs and loan-loss provisions tied to credit cards that garnered most investors' attention, especially for Citigroup.

On the macroeconomic front, data from consumers and the labor market continued to support the narrative that the economy remains on a steady growth path. Consumer Sentiment as measured by the University of Michigan's survey surged higher in the preliminary October reading, climbing to 101.1 from 95.1 in September. Rising consumer sentiment was driven by improved confidence in both current conditions and future expectations. Some of that increase is likely due to a persistently strong job market and relatively benign inflation. That said, inflation expectations as measured by the survey did creep lower. Given recent concerns expressed by some Fed officials that inflation expectations have become unanchored, it is worth monitoring the inflation component of this report in coming months.

The consumer price index advanced 0.5% in September from the prior month, but failed to hit the median economist's estimate. Meanwhile, the core measure (excluding food and energy) barely budged, suggesting much of the increase in the headline number was spurred by energy prices. While retail sales and consumer sentiment continue to be robust, realized inflation and expected future inflation remain weak. With consumers seemingly already stretching their budget, one has to wonder how much higher the Fed can push rates.

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ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Consumer Price Index (YoY)	2.2%	1.6%	▲
JOLTS (Millions)	6.082	5.702	▲
Retail Sales (MoM)	1.6%	-0.1%	▲
U. of Mich. Consumer Sentiment	101.1	93.4	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	22871.72	0.43%	15.73%	26.37%
NASDAQ	6605.80	0.24%	22.71%	26.71%
S&P 500 Large Cap	2553.17	0.15%	14.04%	19.72%
MSCI EAFE	1995.67	1.18%	18.51%	20.63%
Barclays Aggregate US	2040.70	0.26%	3.25%	0.63%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.07%	1.03%	0.28%
10-Year Treasury	2.27%	2.19%	1.74%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Millions Annualized)	5.4
Housing Starts (Millions Annualized)	1.2
Industrial Production (MoM)	-0.9%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.