



# EPSTEIN & WHITE

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## Markets March Ahead

**WEEKLY UPDATE - JULY 31, 2017**

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Last week, markets marched ahead within a busy reporting week. The Dow rose 1.16% to close Friday on another new high.<sup>[1]</sup> The S&P 500 notched a record high during the week, despite closing the week slightly down 0.02%.<sup>[2]</sup> Meanwhile, the NASDAQ slipped 0.20%, and the MSCI EAFE rose 0.21%.<sup>[3]</sup>

Generally strong corporate earnings reports helped markets continue to hit highs. The majority of companies that have posted Q2 earnings so far have beaten their estimates. Those earnings performances helped push financials, materials, and energy stocks up by over 1% early in the week.<sup>[4]</sup> Health care companies also posted substantial earnings as S&P 500 health care stocks have risen 16% this year. Health insurer stocks have also increased by 22%.<sup>[5]</sup>

Additionally, Q2 Gross Domestic Product (GDP), consumer confidence, exports, housing, and oil all reported noteworthy developments.

### A Rundown of Last Week's Developments

- **Solid GDP Performance:** For the second quarter, GDP came in at a 2.6% annualized rate - one of the strongest quarters in the last 2 years.<sup>[6]</sup> GDP growth was based on robust consumer spending for durable and nondurable goods. In addition, business investment hit a solid 5.2% annualized increase for the quarter.<sup>[7]</sup>
- **Healthy Consumer Confidence:** Consumer confidence remains quite high with the index rising in July almost 4 points to 121.1. The index beat the optimistic estimate of 118 and has jumped approximately 20 points since last November's election, staying near March's 17-year high of 124.9.<sup>[8]</sup> In addition, the consumer sentiment index moved up modestly the last two weeks of July to end at 93.4.<sup>[9]</sup>

- **Decent Export and Import Numbers:** Food products and capital goods helped exports rise by 1.4% in June. Further, wholesale and retail inventories both jumped 0.6%. Imports, however, fell 0.4% on lower industrial supplies and consumer goods.<sup>[10]</sup>
- **Mixed Home Sales:** A tight labor market and low mortgages continue to spur demand for housing. In June, new home sales recorded a strong 610,000 annualized rate.<sup>[11]</sup> Meanwhile, existing home sales dropped 1.8% in June to an annualized rate of 5.5 million, which was lower than anticipated. Existing home prices, however, were up 6.5% year-over-year, with a median price of \$263,800.<sup>[12]</sup>
- **Better Oil Prices:** Oil prices rose this week, hitting the highest weekly percentage gains this year. Prices strengthened with news of shrinking U.S. crude and gas inventories, along with foreign efforts to reduce output.<sup>[13]</sup>

## What Lies Ahead

The Fed observed in its meeting last week that risks to the economic outlook seem stable.<sup>[14]</sup> In its analysis of the economy, the Fed pointed to moderate economic growth, a sturdy employment environment, and positive business investments.<sup>[15]</sup> As expected, the Fed did not increase interest rates but suggested that unwinding its \$4.5 trillion balance sheet could begin as early as September.<sup>[16]</sup>

This week will again offer key economic data to help provide a better understanding of market performance in June and early indicators for July.<sup>[17]</sup> As always, we are here to answer any questions you may have about our economy and your financial life.

## ECONOMIC CALENDAR


**Monday:** Pending Home Sales Index

**Tuesday:** Motor Vehicle Sales, Personal Income and Outlays, PMI Manufacturing Index, Construction Spending

**Wednesday:** ADP Employment Report

**Thursday:** Factory Orders

**Friday:** Employment Situation, International Trade

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DATA AS OF 7/28/2017	1 WEEK	SINCE 1/1/17	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	-0.02%	10.42%	13.92%	12.27%	5.42%
DOW	1.16%	10.46%	18.28%	10.79%	5.11%
NASDAQ	-0.20%	18.42%	23.66%	16.60%	9.54%
INTERNATIONAL	0.21%	14.71%	16.50%	6.26%	-1.26%

DATA AS OF 7/28/2017	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	1.00%	1.13%	1.22%	1.83%	2.30%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## QUOTE OF THE WEEK

*"All our dreams can come true, if we have the courage to pursue them."*

- Walt Disney

## RECIPE OF THE WEEK

### Classic Chicken Parmesan



*A simple, tasty take on a classic dish!*

Serves 4

### Ingredients:

- ½ cup Italian seasoned breadcrumbs
- ½ cup Parmesan cheese, grated
- 4 chicken breasts (about 1.5 pounds), halved
- 2 large eggs, beaten
- ¾ cups marinara sauce
- 6 ounces mozzarella, shredded
- Olive oil for cooking

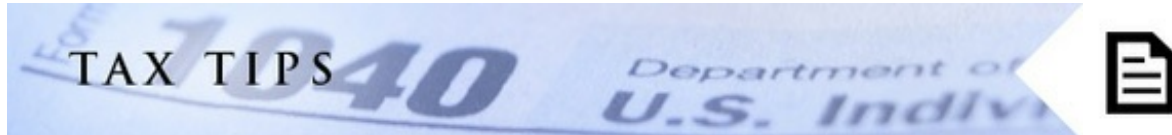
### Directions:

*Preheat oven to 450°F*

1. Mix together breadcrumbs and Parmesan cheese, and set aside.
2. Heat olive oil in a 12" skillet on medium high.
3. Coat each piece of chicken breast in egg and cover them with the breadcrumbs.
4. Place coated chicken breasts in skillet and fry on both sides until it browns.
5. Move fried chicken breasts to a baking dish and cover completely with the marinara sauce and shredded mozzarella.
6. Place baking dish in oven and bake for 20 minutes. Remove and serve.

Recipe adapted from Good Housekeeping<sup>[18]</sup>

 Forward to a Friend



## Maximize Miscellaneous Deductions\*

The IRS allows some tax deductions that do not fit into specific categories, such as whether an employee can claim the purchase of work uniforms. Knowing how to navigate these deductions can provide extra relief to help reduce taxable income and owed debts. Here is a breakdown of some items to keep in mind if you intend to claim miscellaneous deductions.

### How much can you claim?

Taxpayers can typically only claim miscellaneous deductions if the total sum of what they're claiming exceeds 2% of their adjusted gross income (AGI). For example, if your AGI was \$55,000, then your miscellaneous deductions must total at least \$1,100.

### What can you claim?

Some common deductions include the following expenses:

- Costs incurred from finding a new job in the same field of work
- Tools you must use to do your job
- Dues you pay to unions
- Travel and transportation for work

Other details may apply, and you can find more information on [the IRS website](#).

\* This information is not intended to be a substitute for specific individualized tax advice. We suggest you discuss your specific tax issues with a qualified tax advisor.

Tip courtesy of IRS.gov<sup>[19]</sup>



## Control Your Drive in Crosswinds

Golfers fighting wind that zips and zags across the fairway commonly affects their normal shot shape. And for golfers who tend to slice, this scenario will create an even bigger uphill battle. To overcome this challenge and control your drive, golfers need to hit low in order to keep the ball in play.

Here's how you can overcome crosswinds by driving low:

**Step 1:** When teeing the ball, position it lower than normal by a ½ inch.

**Step 2:** Grip lower on the handle than you usually do, around 1 inch.

**Step 3:** Shorten your backswing just a bit.

**Step 4:** Strike the ball level by moving the clubhead low through impact, directly above the ground.

Tip courtesy of GolfDigest<sup>[20]</sup>



## Control Pinkeye at Home

Pinkeye is the common term for conjunctivitis, which occurs when the mucous membrane lining your eyes and eyelid becomes red and swollen. While the condition may require medical care, you can also take measures at home to manage the pain and discomfort. Here are some home treatments that can help:

- **Avoid wearing contacts:** Switch to wearing eyeglasses until your eyes heal. You will also want to thoroughly clean your contact lens and cases.
- **Use a cold or hot compress:** Choose the temperature that feels most soothing and put the cold or hot compress over your eyelid to control swelling and redness. Pinkeye caused by an infection can spread, so be sure to use new compresses on each eye, and never reuse a compress.
- **Wipe your eye without spreading germs:** To control infection, wipe your eye with a clean tissue or cloth by moving from the inner-corner of your eye outward toward your cheek. Always discard used tissues or immediately clean cloth wipes in order to avoid further germ contamination.



## Manage Your Home's Temperature

Just as the heating and cooling system you use affect how efficiently you maintain temperatures in your home, so do the items within your house affect its warmth. Not only does extra heat from items like appliances spike your A/C use, it will also increase your electricity costs. You can take steps to better manage your energy use by knowing how much heat household items produce. Here are a few common items to keep in mind:

- **Large Plasma Television:** The operating temperatures of these TVs can reach 104°F and add a lot of heat to a room. Be sure to turn off any large plasma televisions you're not actively watching.
- **Computers:** Believe it or not, our computers can reach temperatures as high as 212°F. You can help manage how hot it gets by using the sleep mode and dusting the vents.
- **Ovens:** Oven temperatures can reach upwards of 475°F, which can make cooling down your house challenging. Always remember to promptly turn off your oven, and only preheat it once you're ready to cook.

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### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!*



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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.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

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 indices from Europe,

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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[1] <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJ@ion=usa&culture=en-US>

<https://www.cnn.com/2017/07/28/us-stocks-tech-amazon-gdp.html>

[2] <http://www.cnn.com/2017/07/25/us-stocks-earnings-fed-caterpillar-mcdonalds.html>

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[3] <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

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

[4] <https://www.cnn.com/2017/07/25/us-stocks-earnings-fed-caterpillar-mcdonalds.html>

[5] [https://www.bloomberg.com/news/articles/2017-07-27/obamacare-chaos-in-washington-leaves-health-investors-unfazed?cmpid=BBD072717\\_MKT&utm\\_medium=email&utm\\_source=newsletter&utm\\_term=170727&utm\\_campaign=markets](https://www.bloomberg.com/news/articles/2017-07-27/obamacare-chaos-in-washington-leaves-health-investors-unfazed?cmpid=BBD072717_MKT&utm_medium=email&utm_source=newsletter&utm_term=170727&utm_campaign=markets)

[6] <http://wsj-us.econoday.com/byshoweventarticle.asp?fid=482414&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[7] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477653&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[8] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477926&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[9] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477848&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[10] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=478559&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[11] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477962&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[12] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477938&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[13] <https://www.cnn.com/2017/07/27/oil-climbs-for-sixth-day-near-8-week-highs-on-us-crude-stock-declines.html>

[14] <https://www.bloomberg.com/news/articles/2017-07-26/dollar-drops-bonds-climb-on-fed-s-inflation-view-markets-wrap>

[15] <http://wsj-us.econoday.com/byshoweventfull.asp?fid=475715&cust=wsj-us>

[us&year=2017&lid=0&prev=/byweek.asp#top](#)

[16] [https://www.cnbc.com/2017/07/26/fed-leaves-rates-unchanged.html?\\_source=newsletter%7Ceveningbrief](https://www.cnbc.com/2017/07/26/fed-leaves-rates-unchanged.html?_source=newsletter%7Ceveningbrief)

[17] <http://wsj-us.econoday.com/byshoweventarticle.asp?fid=482414&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

[18] <http://www.goodhousekeeping.com/food-recipes/easy/a36266/classic-chicken-parmesan/>

[19] <https://www.irs.gov/uac/newsroom%20making-the-most-out-of-miscellaneous-deductions>

[20] <http://www.golfdigest.com/story/tom-watson-drive-it-lower-in-crosswinds>

[21] <http://www.webmd.com/eye-health/tc/pinkeye-topic-overview#1>

<http://www.webmd.com/eye-health/tc/pinkeye-home-treatment#1>

[22] <http://www.care2.com/greenliving/whats-the-best-temperature-for-your-home.html>

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