

HEADLINE NEWS
Labor Market Stabilizing with July Jobs Report

- The Bureau of Labor Statistics reported that non-farm payroll employment increased by 255,000 in July compared to median estimates of 180,000 in a Bloomberg survey. Growth in professional and business services, health care, and financial activities led the way.
- Both June and May figures were revised upwards by a combined 18,000, and the trailing three-month average is now a solid 190,000 jobs. The unemployment rate remained steady at 4.9%.
- Adding to the positive news was the moderate improvement in wage income. Average hourly earnings increased 0.3% for the month and 2.6% on a year-over-year basis. While not a breakout number, the annual growth in wages was the strongest since 2009 and is outpacing inflation, indicating some tightening in the labor market.
- The stronger-than-expected labor report has also heightened expectations of the FOMC hiking short-term rates later this year. The Fed Funds futures is now pricing in a 26% probability of an increase in September compared to 18% at the beginning of last week. The market is placing a 46% probability of a rate hike by December.

Key Macroeconomic Data Due this Week

Date	Time	Event	Period	Consensus	Prior
8/9	8:30 AM	Unit Labor Costs SAAR Q/Q (Preliminary)	Q2	2.7%	4.5%
8/9	8:30 AM	Productivity SAAR Q/Q (Preliminary)	Q2	0.5%	-0.6%
8/10	10:30 AM	EIA Crude Oil Stocks	08/05		1.4M
8/11	8:30 AM	Initial Claims SA	08/06	265K	269K
8/12	8:30 AM	PPI ex-Food & Energy SA M/M	JUL	0.2%	0.4%
8/12	8:30 AM	PPI SA M/M	JUL	0.1%	0.5%
8/12	8:30 AM	Retail Sales ex-Auto SA M/M	JUL	0.2%	0.7%
8/12	8:30 AM	Retail Sales SA M/M	JUL	0.4%	0.6%

Source: API

S&P 500


Source: FactSet Prices

Notable Earnings Due this Week

DATE	TIME	TICKER	COMPANY NAME
8/9	4:15 PM	DIS-US	The Walt Disney Co.
8/11	7:00 AM	KSS-US	Kohl's Corp.
8/11	8:00 AM	M-US	Macy's, Inc.
8/11 After Market		JWN-US	Nordstrom, Inc.
8/11	4:20 PM	NVDA-US	NVIDIA Corp.

Source: API

WTI Crude Oil Spot Price (\$/barrel)

Max: 51.23 (08-JUN-16), Min: 26.19 (11-FEB-16), Last: 41.83 (05-AUG-16)



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EARNINGS UPDATE
Q2 Earnings Continue to Come in Better than Feared

- Second quarter earnings season is winding down with only 23 S&P 500 companies set to report this week. Results so far have been better than expected and have helped carry the stock market to new all-time highs. With 86% of S&P 500 companies reporting second quarter earnings, 69% have beaten analysts' earnings expectations and 54% have beaten sales estimates, according to data by FactSet Research. The blended earnings growth rate for the S&P 500 has improved to -3.5%, 2% better than the 6/30 estimate of a -5.5% decline. Removing the drag from the energy sector, earnings would improve from -3.5% to +0.3% and revenue growth would improve from 0.0% up to +2.7%.

INDEX RETURNS (AS OF 8/5/16)

	MTD	YTD
S&P 500	0.49	8.19
Dow Jones Ind. Avg.	0.65	8.07
Barclays MM Short 1-5 Yr.	0.00	1.79
Barclays MM 1-10 Yr.	-0.10	3.01
ML US Gov/Corp 1-10 Yr.	-0.33	3.49

Source: Interactive Data

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