

HEADLINE NEWS
Investors Spooked by Fed Speak, Focus on 9/21 Meeting

- Financial markets were jolted from their slumber on Friday when the S&P 500 dropped 2.4%, moving more than 1% in either direction for the first time since July 8th. The drop was attributed to hawkish comments from Boston Fed President Eric Rosengren, who said there was a “reasonable case” for raising interest rates gradually. This came on the heels of Thursday’s ECB policy meeting where Mario Draghi announced that the European Central Bank would not be extending its €80 trillion-per-month asset purchase program. Interestingly, the market implied odds of a hike in September or December have dropped over the past week, now standing at 15% and 55.5%, respectively, according to CME Group. Despite the drop in odds, the back-up in interest rates on Friday led to profit taking in the interest rate sensitive Utilities, Telecoms, and Consumer Staples sectors.
- Investors are acutely focusing on the upcoming FOMC meeting next Wednesday, 9/21. The Fed has made it clear that their next move will be dependent on major macroeconomic data releases. With that in mind, the team at Appleton will be focusing on three important data points due out this week: the Producer Price Index (PPI), retail sales figures, and the Consumer Price Index (CPI). Both the PPI and CPI are expected to be benign, but any sign that these measures are increasing above expectations could give the Fed motive to hike. We are watching retail sales to gauge the health of the consumer, who has been responsible for most of the growth in recent GDP readings. Back-to-school shopping was reportedly weak this year, so any weakness in retail sales could cause some economists to lower their GDP forecasts for the remainder of the year.

Notable Earnings Due this Week

DATE	TIME	TICKER	COMPANY NAME
9/15	After Market	ORCL-US	Oracle Corp.

Source: FactSet & API

S&P 500


Source: FactSet Prices

Key Macroeconomic Data Due this Week

Date	Time	Event	Period	Consensus	Prior
9/14	10:30 AM	EIA Crude Oil Stocks	09/09		-14.5M
9/15	8:30 AM	Initial Claims SA	09/10	262K	259K
9/15	8:30 AM	PPI ex-Food & Energy SA M/M	AUG	0.1%	-0.3%
9/15	8:30 AM	PPI SA M/M	AUG	0.1%	-0.4%
9/15	8:30 AM	Retail Sales ex-Auto SA M/M	AUG	0.3%	-0.3%
9/15	8:30 AM	Retail Sales SA M/M	AUG	-0.1%	0%
9/15	9:15 AM	Industrial Production SA M/M	AUG	-0.2%	0.7%
9/16	8:30 AM	CPI ex-Food & Energy SA M/M	AUG	0.2%	0.1%
9/16	8:30 AM	CPI SA M/M	AUG	0.1%	0%

Source: FactSet and API

WTI Crude Oil Spot Price (\$/barrel)

Max: 51.23 (08-JUN-16), Min: 26.19 (11-FEB-16), Last: 45.88 (09-SEP-16)



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FIXED INCOME UPDATE
Puerto Rico Oversight Board Announced

- President Obama announced the appointment of seven individuals to the Financial Oversight and Management Board for Puerto Rico. The board is provided with relatively broad powers, including overseeing the implementation of balanced budgets, capital investment and debt restructuring, if necessary. The board will work with the Government of Puerto Rico and creditors to restore fiscal balance and return the island to economic growth. The next step in this process is the government of Puerto Rico presenting a comprehensive fiscal and economic plan that will be reviewed by the board and creditors. Market reaction to the board’s announcement was relatively modest, with Puerto Rico’s benchmark 5% GO bonds maturing in 2035 trading up from approximately \$65.50 on 8/31 to end last week at \$67.25.

INDEX RETURNS (AS OF 9/9/16)

	MTD	YTD
S&P 500	-1.95	5.71
Dow Jones Ind. Avg.	-1.66	5.87
Barclays MM Short 1-5 Yr.	-0.26	1.46
Barclays MM 1-10 Yr.	-0.30	2.72
ML US Gov/Corp 1-10 Yr.	-0.19	3.30

Source: Interactive Data

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