INDEPENDENT FINANCIAL SERVICES
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Monthly Market Update
July 2017

Stocks, Economy Made Healthy Gains in July

Equity markets around the world tracked higher in July, despite declines over the last week of the month. Domestic stocks had dipped amid some disappointing tech earnings and a revised report that showed slower-than-expected gross domestic product (GDP) growth for the first quarter. Earnings overall have been a bright spot, as the majority of S&P 500 companies have reported beating their mean sales estimates.

The major U.S. stock indices ended July in positive territory. The Dow was up 2.5%; the Nasdaq climbed 3.4%; and the S&P 500 was up 1.9%. The Treasury yield curve is nearly unchanged for the month with the long-bond (30-year Treasury) only down 8 basis points in yield and the 1- and 3-month T-bills down 14 basis points.

The Federal Open Market Committee left the target range for the federal funds rate unchanged at its mid-July meeting and repeated that it "expects that economic conditions will evolve in a manner that will warrant gradual increases" in the quarters ahead. The central bankers also indicated that they expect to start unwinding their balance sheet "relatively soon" (most likely in October).

	12/30/16 Close	7/31/17 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	19,762.60	21,891.12	**+2,128.52**	**+10.77%**
NASDAQ	5,383.12	6,348.12	**+965.00**	**+17.93%**
S&P 500	2,238.83	2,470.30	**+231.47**	**+10.34%**
MSCI EAFE	1,684.00	1,931.73	**+247.73**	**+14.71%**
Russell 2000	1,357.13	1,425.14	**+68.01**	**+5.01%**
Bloomberg Barclays Aggregate Bond	1,976.37	2,030.05	**+53.68**	**+2.72%**
Performance reflects price returns as of 4:30 EDT on July 31, 2017.				

Here's a look at what else is happening in the economy and capital markets, as well as key factors we are watching:

Economy

- Real GDP rose at a 2.6% annual rate for the second quarter, averaging a 1.9% pace over the first half of the year.

- Consumer spending growth rebounded from a soft first quarter, but monthly figures suggest some loss of momentum heading into the second half of the year.
- Private-sector job growth in 2017 has remained strong, roughly the same as in 2016 – although tighter labor market conditions are expected to be a restraint in the months ahead.

Equities

- Major domestic stock indexes had once again reached record highs before some less-than-impressive tech earnings reports toward the very end of the month prompted investors to take profits.
- Amazon briefly dragged tech stocks lower as shares fell 3.3% at the end of the month, following weaker-than-expected quarterly numbers.
- Other major tech companies, including Apple, also declined during the last few trading days of July.

International

- The dollar's recent swoon against the euro and British Pound over recent weeks had an impact on European markets as shares in exporting companies sold down.
- The tone surrounding European investment opportunities continued to improve as the International Monetary Fund upped its expectations for eurozone growth and reports surfaced that transitional Brexit negotiations were progressing well, according to Raymond James European Strategist* Chris Bailey.
- Emerging markets in aggregate continued to rally, aided by the lower dollar.

Fixed Income

- Treasury demand continued to be strong during the month, with better-than-average covers over the past 12 months and strong indirect participation, according to Raymond James Senior Fixed Income Strategist Doug Drabik.
- Continued demand for U.S. securities from foreign investors assists in keeping interest rates down.
- The bond market seems to have settled on the idea that interest rates are not necessarily headed higher, Drabik notes. Current fiscal policy and political uncertainty is hindering growth potential and higher yields. Interest rates seemed destined for continued low rates and a tight trading range in the near future.

Bottom line

- We remain bullish. In our opinion, pullbacks should be short and shallow.
- Investors may be able to potentially take advantage of short-term volatility to buy quality stocks at a possible discount.

Should anything change, we'll be sure to keep you updated on anything that could affect your long-term financial plan. Thank you for your trust in us.

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