

# THE AUSTIN ADVISOR

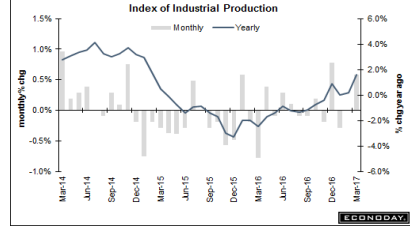
May 15, 2017

Markets	8-May	9-May	10-May	11-May	12-May	YTD%	30-Dec-16
DJIA	21,012.28	20,975.78	20,943.11	20,919.42	20,896.61	5.85%	19,762.60
S&P 500	2,399.38	2,396.92	2,399.63	2,394.44	2,390.90	6.95%	2,238.83
NASDAQ	6,102.66	6,120.59	6,129.14	6,115.96	6,121.23	13.61%	5,383.12
SNL Bank Index	538.37	535.46	536.89	532.46	529.92	-0.04%	532.65
Fed Funds Rate	0.91%	0.91%	0.91%	0.91%	0.91%		0.55%
1 Month LIBOR	N/A	0.99%	0.99%	0.99%	0.99%		0.77%
3 Month LIBOR	N/A	1.18%	1.18%	1.18%	1.18%		1.00%
3 Month T-Bill	0.91%	0.91%	0.90%	0.89%	0.88%		0.51%
1 Year Treasury	1.12%	1.14%	1.13%	1.13%	1.11%		0.85%
2 Year Treasury	1.33%	1.37%	1.35%	1.35%	1.29%		1.20%
3 Year Treasury	1.53%	1.57%	1.56%	1.55%	1.49%		1.47%
5 Year Treasury	1.91%	1.94%	1.94%	1.93%	1.85%		1.93%
10 Year Treasury	2.39%	2.42%	2.41%	2.39%	2.33%		2.45%
30 Year Treasury	3.02%	3.04%	3.03%	3.03%	2.98%		3.06%

## WEEKLY HIGHLIGHT

Data from last week was not strong enough to make a Fed move in June a lock

## INDUSTRIAL PRODUCTION



Economy	Week of May 8, 2017	
JOLTS	5.743 Million	Up from 5.682M at the end of February, reflecting difficulty companies are having finding qualified workers
Producer Price Index	0.5%	The April inflation data came in much higher than forecast, following the low inflation data from March
Consumer Price Index	0.2%	No surprise from expectations, with a low inflation report taking the YOY increase in total to 2.2% and the core rate to 1.9%
Retail Sales	0.4%	The rebound in April from the decline in March was not as strong as expected, but was enough for the Fed to move

## MONDAY MUSING

Mothers Day is always a time for families to gather and tell stories of kids growing up. My kids always remember the odd times we have had. I had forgotten I had taught my kids to drive a car by sitting in the back seat. I never told the kids I did that because it was my turn to kick the back of the seat while they were driving. I was reminded of how much trouble we had getting my kids up in the morning so they could get to school on time. Now my grandson comes to wake up my son at 4:30 am so they can get him to hockey practice. There are differences in generations.

Calendar	Release	Covering	Week of May 15, 2017
Housing Starts	Tuesday	April	The strength in construction has been in multi-family; we expect to see single family rebounds at 1.256 million
Industrial Production	Tuesday	April	A rebound in manufacturing with an increase of 0.3%, reversing the 0.4% in March, should drive the overall data up by 0.4%
Capacity Utilization	Tuesday	April	The operating rate has finally begun to increase with consensus forecasts at 76.3%, up from 75.3% three months ago
Leading Indicators	Thursday	April	The 0.4% gain in March was the lowest so far this year but was a strong number and we expect another strong report at 0.4%

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## Commentary

The Fed needs proof the first quarter weak growth was "transitory" in order to continue its desired goal of **normalizing monetary policy**. The first of the proof was provided with the strong **jobs report** for April. The second piece of data was not as strong as expected. **Retail sales** were reported at having increased by only 0.4% for April, while the market was expecting an increase of 0.6%. The March results were revised upward from a decline to an increase of 0.1%. This upward revision will mean a higher first quarter **Real GDP** number when the first revision is issued in two weeks. The April data was helped by the first increase in auto sales this year and continued strong growth in on-line purchases. The in-store sales data continues to reflect the shift in how consumers buy goods away from retail outlets. It continues to be a problem as to how **consumer confidence** is at near record levels and job growth is so strong, while **consumer final demand** is only growing at a low to moderate pace. The Fed will need to be confident the economy can withstand higher borrowing costs and not cause this moderate growth to slow even more in order to continue to raise managed rates. The **inflation** data was mixed last week, with wholesale prices up and consumer price increases well contained. It does not appear the inflation data will create a need to move monetary policy to a neutral position in order to dampen inflation pressures.

The data due out this week is not expected to help clarify current economic conditions. Manufacturing activity is expected to be up, but only by a modest amount and the leading indicators are forecast to be better from the weakest monthly result reported from March. The **housing data** is expected to be strong, with single family home construction gaining real traction. The very low inventory of existing homes on the market will cause faster growth in new home construction as demand continues to expand at an accelerating rate this year. The next important data for the Fed to consider when they meet in late June will be the personal spending and income data due out next week. The Fed needs to see a strong rebound in consumer spending in order to be comfortable with another rate hike at that meeting. They will also need to see another strong job growth month for May. The **JOLTS index** did rise in March, with even more unfilled job openings reported. This would indicate **nonfarm payroll** growth will continue to grow at a rate sufficient to allow the Fed to move up another 25 basis points in June.

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