



Q2 2017

# Quarterly Economic News

## April–June 2017

Index	Qtr	1 Yr Return	5 Yr Return	10 Yr Return
Barclays U.S. Aggregate Index	1.45%	-0.31%	2.21%	4.48%
MSCI AC World Ex US Net Total Return	5.78%	20.45%	7.22%	1.13%
Russell 2000 Total Return	2.46%	24.60%	13.70%	6.92%
S&P 500 Composite Total Return	3.09%	17.90%	14.63%	7.18%

### Economic News

The U.S. economy continued in a positive trend for the second quarter in 2017. The national unemployment rate was 4.4% in April and held steady through June, ending the quarter at 4.4%. Total nonfarm payroll employment went up 211,000 in April, 138,000 in May, and 222,000 in June, for a total increase of 571,000 over the quarter. This reflects a larger increase in total nonfarm payroll than the first quarter of 2017, which had an increase of 560,000.

### Stock Market Benchmarks

The Dow Jones Industrial Average closed at 21,349.63 for June, a three-month return of 3.95%. The S&P 500

closed the quarter at 2,423.41, reflecting a 3.09% three-month return. The NASDAQ Composite closed the quarter at 6,140.42, reflecting an increase of 4.16% since the beginning of April. The Russell 2000 and the NYSE Composite increased 2.46% and 3.06%, respectively, over the quarter.

### Fed Funds and Fixed Mortgage Rates

After ending Q1 at 0.82%, the effective federal funds rate (the EFFR) increased in June, ending Q2 at 1.06%.

The average 30-year fixed rate mortgage fluctuated, starting the quarter at 4.10%. By June, the average rate had decreased to 3.88%.

 **GDP (LAGGING INDICATOR)**

Q1 2017 (Third Estimate)  
Increased at an annual rate of 1.4%.

 **EXISTING HOME SALES**

Through May 2017  
Increased 1.1%. Low inventory has helped to raise median sales price.

 **UNEMPLOYMENT RATE**

Through June 2017  
Stable at 4.4% (seasonally adjusted).

 **CONSUMER PRICE INDEX**

May 2017  
Decreased 0.1% (seasonally adjusted).

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On June 28, the Federal Reserve Board announced it had completed its review of the capital planning practices of the nation's largest banks participating in the Comprehensive Capital Analysis and Review (CCAR). The CCAR, in its seventh year, is used to evaluate the capital planning processes and capital adequacy of the largest U.S. banks and holding companies. As a result, the Board's report found that of the 34 large banks participating, only one was found to have weaknesses in its capital planning process to address by the end of 2017.

## Consumer Protections for Retirement Investors

On June 9, the Department of Labor's Conflict of Interest Rule went into effect. With the intent to protect retirement investors, the Rule requires advisers working with retirement funds to adhere to a fiduciary standard and give advice that is in the customer's best interest. This includes advisers who are paid directly by the customer or paid indirectly through commissions of other third parties, for advice on individual retirement accounts (IRAs) and 401(k) accounts. As fiduciaries, advisers must protect their customers from potentially harmful conflicts of interest.

In general, the new protections require that advisers:

- Give prudent advice
- Put their customer's interest first when making a recommendation (give loyal advice)
- Avoid misleading statements about conflicts of interest, fees, and investments
- Follow policies and procedures designed to ensure adherence to the best interest standard and to prohibit financial incentives for advice that is not in the customer's best interest

- Charge no more than reasonable compensation for their services
- Disclose basic information about fees and conflicts of interest to retirement investors

While many advisers already give advice that is in the customer's best interest, the Rule gives customers new rights and confidence that their adviser is making recommendations based on what's in their best interest, rather than the adviser's own competing interest. The Rule will also ensure competition on a level playing field in which all advisers must adhere to strong consumer protection standards.

## Supermarket Disruption

Online sales giant, Amazon, announced its plans to purchase the upscale brick-and-mortar grocery chain Whole Foods for \$13.4 billion in June. While Amazon has dabbled with a physical presence through its limited retail locations to distribute books, the move will expand its overall footprint to include more than 460 existing Whole Foods locations across the United States, Canada, and Britain.

As a result of the bold action, buzz has been created around the future of retail shopping. Amazon's experimental retail locations, Amazon Go, which use sensors and software allowing shoppers to purchase items without visiting a cashier, as well as a drive-through grocery where customers pick up orders placed online, have garnered positive attention. As it stands, consumers demand convenience, as has been seen with the emerging popularity of grocery delivery services such as Blue Apron and HelloFresh. While Amazon's ultimate plans for integrating the two entities have yet to be revealed, there is already speculation that the technology enhancements may eventually cause job losses across Whole Foods store

*"An investment in knowledge pays the best interest."*

—Benjamin Franklin

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locations. Many are hopeful that Amazon's history of creating an innovative shopping experience, in combination with Whole Food's supply chain and access to quality natural foods and products, will create a disruptive modernization to the current supermarket model.

*The Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The MSCI All Country World Exclude U.S. Net Total Return is a commonly used measure of common stock total return performance of 22 of 23 Developed Markets countries excluding the U.S. The Russell 2000 Total Return Index is a commonly used measure of small capitalization stocks. The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results. The information and opinions expressed herein are for general and educational purposes only. Nothing contained in this newsletter is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed. M Holdings Securities, Inc. makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.*



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