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| **RESOURCE LOG – September 2016** | | | | |
| **Article Title** | **Detail** | **Publication** | **Date** | **Author** |
| Macro | Perception: How We Feel About The Economy…  Americans are pessimistic about their financial futures – but not for the reasons you’d expect.  If the economy is recovering, most Americans have missed the memo. Pessimism about the state of the country has already shaped the election season, helping to power insurgencies on the left and right.  The poll found huge support for the idea that our economic system is biased, with 78% agreeing that “there are bailouts for the bottom but nothing for those in the middle.  Reality - How it’s actually doing…  Unemployment is low, the housing market is coming back, and stocks are hitting record highs.  According to real estate data firm CoreLogic, markets in 40% of large U.S. metro areas have hit or surpassed their pre-recession peaks, and another third are within 10% of those highs…  Still, these gains have been slow to filter their way through to the broader economy. | Fortune | 09/01/2016 | Tory Newmyer |
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| Cash Keeps Exiting European Stocks | Money has flowed out of European stock funds every week for more than six months, a stretch that is longer than the previous record set during the financial crisis.  Few see the negative flows abating soon, with earnings weak, banks struggling across the Continent and the political landscape in flux.  The Stoxx Europe 600 index is down 6.1% this year, compared with a gain of 6.2% for the S&P 500.  Late last year, investors put money into Europe as they expected the U.S. to raise interest rates. Higher rates could push money out of U.S. stocks into Europe because they could hurt Americans’ consumer spending, among other factors.  But with no further rate increases from the U.S. Federal Reserve so far this year, those flows have reversed. | The Wall Street Journal | 09/01/2016 | Mike Bird and Riva Gold |
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| What’s News | The Dow eased 53.42 points to 18400.88, ending August down less than 0.2% after six months of gains. | The Wall Street Journal | 09/01/2016 |  |
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| Stocks Lost Ground in August  *Dow industrials snap six-month win streak; lowest average volume in nearly two years* | U.S. stocks finished August with slight losses, capping an unusually calm month in the market.  Trading volumes dropped off, major U.S. indexes moved in a narrow range and investors’ expectations for stock-market swings plumbed their lowest levels in years during the month.  The blue-chip index is up 5.6% in 2016, while the S&P 500 is up 6.2% year to date.  One cause of the stock-market paralysis: questions about the course of U.S. monetary policy.  The Stoxx Europe 600 declined 0.4% Wednesday and rose 0.5% in August, its second consecutive month of gains. | The Wall Street Journal | 09/01/2016 | Corrie Driebusch and Riva Gold |
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| What’s News | ♦ Factory activity fell in August, a sign of weak business spending and an uncertain global outlook. | The Wall Street Journal | 09/02/2016 |  |
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| What’s News | ♦ U.S. stocks closed little changed ahead of Frida’s jobs report. The Dow rose 18.42 points to 18419.30. | The Wall Street Journal | 09/02/2016 |  |
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| What’s News | ♦ The IMF signaled another downgrade in its global growth forecast, warning of protectionism and weak trade and investment. | The Wall Street Journal | 09/02/2016 |  |
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| Oil Glut Sinks Prices | Oversupply: Oil prices hit a three-week low on Thursday amid worries over rising U.S. stockpiles. Crude is now on a four-session losing streak, its longest in a month. | The Wall Street Journal | 09/02/2016 |  |
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| Dow Industrials Plunge 470  *U.S. stocks and crude oil resume their declines as another bout of volatility strikes again* | Renewed worries over slowing overseas growth sent U.S. stocks tumbling anew, dashing hopes that last week’s market turbulence had abated.  Energy stocks bore the heaviest selling, giving back recent gains, as oil prices resumed their decline. Shares of small companies, which tend to be more domestically focused, also were caught up in the downdraft, underscoring hos investors are becoming worried that weakness in China could seep into the U.S. economy.  Those worries are following the worst earnings season for U.S. corporate-profit growth in years.  The S&P 500 lost 58.33 points, or 3% to 1913.85.  Earnings for the S&P 500 are on track to fall 0.8% in the second quarter…  Energy stocks in the S&P 500 fell 3.7%. Oil tumbled 7.7%, to $45.41 a barrel, snapping a three-day rally. | The Wall Street Journal | 09/02/2016 | Dan Strumpf |
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| Car Sales Zoom to Best Pace in 10 Years  *Consumers flock to pickup trucks and SUVs, lured by incentives and low prices at the pump* | The seasonally adjusted annual rate of sales was the highest since July 2005, according to researcher Autodata Corp.  Ford Motor Co., the No. 2 U.S. auto maker by volume, reported a 5.6% increase in August…  Japanese auto makers, less focused on the pickup trucks and sales to fleet buyers, had a bumpy month. | The Wall Street Journal | 09/02/2016 | Jeff Bennett and Chelsey Culaney |
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| Jobs Data Cool Odds on Rate Rise | …cooling job growth from recent months reinforced market expectations that the Federal Reserve will push off a rate increase until December at the earliest.  The unemployment rate, calculated from a separate survey of American households, was unchanged from the prior month at 4.9%, the Labor Department said Friday.  The August job gain marked a slowdown from the more than 270,000 jobs added in each of the previous two months… | The Wall Street Journal | 09/03-04/2016 | Eric Morath |
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| Treasurys Fall as Rate-Increase Timing Stays Unclear | U.S. government bonds reversed early gains Friday as the latest employment report fell short of expectations, leaving continued uncertainty over the Federal Reserve’s policy outlook.  In late-afternoon trading, the yield on the benchmark 10-year Treasury note was 1.597%...  Yields rise when bond prices fall.  U.S. debt also offers attractive yields at a time when the bond yields of many other developed countries have turned negative due to tepid global growth and aggressive monetary stimulus from central banks in Japan and Europe. | The Wall Street Journal | 09/03-04/2016 | Sam Goldfarb |
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| In Just One Year | The U.S. government reported a national debt of $18.151 trillion as of 08/31/15. The U.S. government reported a national debt of $19.510 trillion as of 08/31/16. | Drexion | 09/06/2016 | Source: Treasury Department |
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| China’s oil hoard puzzles crude markets | From Underground caverns by the Yellow Sea to a scattering of islands in the Yangtze River delta, the government has been stockpiling crude for emergencies in a network of storage sites dotted around the country. Record purchases this year by the world’s biggest energy consumer have helped oil prices recover from the worst crash in a generation.  Energy Aspects says the country will probably keep buying and fill up commercial tanks if it has to, while the likes of JP Morgan Chase say the purchases may soon stop. | Daily Herald | 09/06/2016 | Bloomberg |
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| Negative Rates Are Working (A Little) | The chorus of discontent about the European Central Bank is becoming louder. German savers, bond investors, bankers and an increasing number of economists are complaining that negative rates have pushed up savings and done nothing for corporate investment, while eviscerating pension plans.  The ECB should ignore them for a while.  Consider just a few data points. Unemployment in the Eurozone last month fell back to where it stood in November 1998, just two months before the euro came into being. The 7.5 million jobs created in the Eurozone since the start of 2014, the year the ECB went negative, is ahead of 6.3 million in the U.S.,…  Job creation coincided with a resumption of borrowing by companies and, to a lesser extent, households, as interest rates on loans fell.  It gets better. For the past three quarters the Eurozone economy has expanded faster than the U.S. Gross fixed capital formation in the Eurozone, one measure of overall investment before depreciation, has been rising year on year since late 2013.  Growth remains miserable, inflation is below 1% even when oil prices are excluded, unemployment still is above 10%, the outlook is cloudy and droves of unhappy voters are switching to populist parties.  Continental Europe’s structural unemployment is shocking, with the jobless rate above 7% at both the peak of the dot-com boom and in 2007. | The Wall Street Journal | 09/08/2016 | James Mackintosh |
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| Bid Drop for China Reserves  *Foreign-exchange hoard falls record $93.9 billion after heavy month of yuan interventions* | The decline in China’s foreign-currency reserves has accelerated, deepening a trend that illustrates the pressures of the country’s slowdown, rising capital outflows and expectations for monetary tightening in the U.S.  China used its reserves to stabilize the yuan after the central bank devalued the currency on Aug. 11, a move that heightened worries about growth in the world’s second-largest economy and sparked a sharp selloff across global stock markets.  The reversal raises some concerns in the U.S. government-bond market because about 40% of China’s foreign-exchange reserves are held as Treasurys, according to estimates by analysts at Bank of America Merrill Lynch. | The Wall Street Journal | 09/08/2016 | Lingling Wei and Anjani Trivedi |
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| Risks Leave Europe Central Bank Unmoved  *ECB’s Draghi stays on current course despite Brexit fallout concerns and very low inflation* | The decision to stand pat, even as new forecasts showed the ECB missing its inflation target for years, underlines how central banks are approaching the limits of what they can achieve without support from other policy areas, notably governments. In China this month, Group of 20 leaders warned that monetary policy alone can’t fix the world’s economic ills, and pledged to boost spending and adopt overhauls aimed at boosting growth.  With inflation still so low, many investors expect the ECB to extend its bond-purchase program, known as quantitative easing, before it ends in March. Growth in the bloc remains sluggish and inflation has hovered around zero for two years.  Under the current rules of QE-imposed partly for political reasons-the ECB can’t buy more than 33% of most bond issues, or any bonds yielding less than minus 0.4%. That rules out a large swath of German government debt. | The Wall Street Journal | 09/09/2016 | Tom Fairless |
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| Japan Running Out of Bonds | Japan’s central bank is facing a new problem: It could be running out of government bonds to buy.  The Bank of Japan is snapping up the equivalent of more than $750 billion worth of government debt a year to spur inflation and growth. At that rate, analysts say, bank could run out of government debt to sell within the next 18 months.  The looming scarcity is a powerful sign of the limits central banks face as they turn to evermore aggressive means of stimulating their economies. The problem is mirrored in Europe, where self-imposed rules limit how many Eurozone government bonds the European Central Bank can buy from individual governments.  Facing a diminishing supply of sovereign bonds, the ECB started buying corporate debt in June. | The Wall Street Journal | 09/09/2016 | Rachel Rosenthal and Suryatapa Bhattacharya |
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| Rate-Rise Fears Trip Up Markets  *Investors worry that central bank policies will no longer fueld rallies in stocks, bonds* | Major markets had one of their worst days in months, as doubts over central banks’ willingness or ability to stimulate economic growth sent stocks and bonds tumbling.  The Dow Jones Industrial Average fell nearly 400 points, and sinking bond prices pushed yields on government debt to their highest levels since early summer.  An official with the Federal Reserve deepened concerns by suggesting Friday that they still might raise interest rates even after a week of relatively weak U.S. economic data.  The Fed has begun preparing for a Sept. 20-21 policy meeting and faces a close decision about whether to raise rates at that meeting or wait until later in the years to move.  Yields on 10-year Treasury notes jumped to 1.671%, their highest level since June 23. Bond yields rise as prices fall.  While traders try to assess the chances that the Fed will raise rates, they are also looking to Europe and Japan for clues about the path of monetary policy in those markets. Officials at both of those central banks have pushed interest rates into negative territory and are buying up bonds to push them down even further.  Those steps have helped pull down yields on government debt around the world. | The Wall Street Journal | 09/10-11/2016 | Aaron Kuriloff, Jon Hilsenrath and Corrie Driebusch |
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| Big Italy Bank’s Woes Reverberate  *Troubles imperil nation’s economy, fragile financial stability in Eurozone* | UniCredit, Italy’s largest lender by assets, emerged as one of the weakest big banks in Europe in July’s stress tests, showcasing the failure of its attempts to respond to rock-bottom interest rates and a huge pile of bad loans.  Troubles at UniCredit, which has a vast business in Germany and Eastern Europe, could threaten not only Italy’s ailing economy but also the continent’s already fragile financial stability.  Like most of its Italian peers, UniCredit has sustained a double whammy of ultralow interest rates – Italian mortgage rates are as low as 1% - and a decade of economic doldrums in Italy, which have helped d rive up bad loans and batter profits. | The Wall Street Journal | 09/12/2016 | Giovanni Legorano |
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| By the Numbers | High and Low – 45% of the tax returns filed in tax year 2014 reported adjusted gross income (AGI) less than $30,000. 4% of the tax returns filed reported AGI of a least $200,000. (Source: Internal Revenue Service).  Out of Business – Lehman Brothers, a 158-year old company, was forced to file for bankruptcy protection on 09/15/08 (8 years ago) when no “white knight” emerged to rescue the company from its substantial investment in subprime mortgages. It was (and still is) the largest U.S. bankruptcy ever. Since Lehman Brothers’ 2008 filing, central banks around the world have cut interest rates 670 times. (Source: JPMorgan) | Direxion | 09/12/2016 |  |
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| Divided Fed Inclined to Stand Pat  *Low inflation leaves officials with little urgency to hike interest rates at next meeting* | Federal Reserve officials, lacking a strong consensus for action a week before their next policy meeting, are leaning toward waiting until late in the year before raising short-term interest rates. | The Wall Street Journal | 09/13/2016 | Jon Hilsenrath |
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| CEOs See Sluggish Growth | Chief executives see the U.S. economy stuck in slow-growth mode and appear to have little optimism that November’s election will spark stronger gains.  Caterpillar’s Doug Oberhelman, Business Roundtable chairman. “This reflects the unfortunate new normal”, Mr. Oberhelman said. “The U.S. economy is pretty much stuck in neutral”.  The executives expect the economy to grow 2.2% for all of 2016… | The Wall Street Journal | 09/13/2016 | Eric Morath |
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| What’s News | ♦ U.S. stocks rebounded as concerns about interest rates eased. The Dow rose 239.62 points to 18325.07. | The Wall Street Journal | 09/13/2016 |  |
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| Yield Jump Stirs Up New “Tantrum” Fear | The selloff may have fizzled out, but it was enough to put markets on notice.  Investors now are asking whether markets are on the verge of another bond-market “Tantrum”, in which yields rise sharply as prices fall. So far, most conclude the risk remains low, on expectations that weak growth and inflation will mean central banks continue to deliver aggressive stimulus.  But the steep declines that escalated Friday and resumed in early trading Monday were a signal that more volatility could loom.  The Dow industrials rebounded 239.62 points Monday, and yields on benchmark 10-year U.S. Treasurys stabilized, after Federal Reserve governor Lael Brainard argued for a cautious approach to raising rates. | The Wall Street Journal | 09/13/2016 | Christopher Whittall and Mike Bird |
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| Raise rates “sooner rather than later”, urges JPMorgan CEO Dimon | Jamie Dimon, chairman and CEO of JPMorgan Chase, told a gathering of financiers in Washington, D.C. on Monday that timing is right for the Federal Reserve to raise interest rates as the economy is humming along and called for more infrastructure investment to stir growth.  “Twenty-five basis points is a drop in the bucket”, Dimon said…  Investors are generally more bullish on banks when interest rates are higher as their earnings benefit from interest income derived from customers paying more for loans.  Dimon, whose company is the nation’s largest bank by assets, expressed optimism when asked by the interviewer, David Rubenstein, co-founder and co-CEO of private equity from the Carlyle Group, about the state of the economy. | USA Today | 09/13/2016 | Roger Yu |
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| Family Incomes Rise After Lull  *Surge to post-recession high is fueled by low-earning households, broader jobs growth* | A surge in U.S. incomes last year delivered the first significant raise for the typical family after seven years of stagnant and declining earnings, the result of sustained job growth finally lifting a broad swath of American households.  The median household income – the level at which half are above and half are below – rose 5.2%, or $2,798, to $56,516, from a year earlier, after adjusting for inflation, the Census Bureau said Tuesday.  The increase was the largest annual gain recorded since the yearly survey of incomes began in 1967, though it didn’t fully close the gap left by last decade’s recessions.  One question now is whether a sustained upturn in under way, or whether these gains are likely to peter out as the economy nears full employment, especially given a continuing slide in measured worker productivity. | The Wall Street Journal | 09/14/2016 | Nick Timiraos and Janet Adamy |
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| What’s News | ♦ Stocks and bonds slid, raising concerns that volatility could force sales by some hedge funds. The Dow fell 258.32 to 18066.75. | The Wall Street Journal | 09/14/2016 |  |
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| USA’s global competitive edge gets duller | The U.S. has made virtually no progress in a battle to reclaim its elite position in the global marketplace, a Harvard Business School study says, squarely placing the blame on a broken political system and a coarse presidential campaign.  “We believe that the nation’s political system has now become America’s greatest competitive weakness, and that the situation continues to deteriorate”, Harvard professions Michael Porter, Jan Rivkin and Mihir Desai wrote in a report titled “Problems Unsolved and a Nation Divided”. The erosion of the nation’s ability to compete globally is the main reason for its sluggish economic performance during the 7-year-old recovery, the authors say. | USA Today | 09/15/2016 | Paul Davidson |
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| Worries Rise Over Global Trade Slide | A sharp drop in global trade growth this year is underscoring a disturbing legacy of the financial crisis: Exports and imports of goods are lagging far behind their pace of past expansions, threatening future productivity and living standards.  For the third year in a row, the rate of growth in global trade is set to trail the already sluggish expansion of the world economy, according to data from the World Trade Organization and projections from leading economists.  Since rebounding sharply in 2010 after the financial crisis, trade growth has averaged only about 3% a year, compared with 6% a year from 1983 to 2008, the WTO says. | The Wall Street Journal | 09/15/2016 | William Mauldin |
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| Long Bonds Waver In Volatile Trading | The turbulence rattling global bond markets highlights investors’ struggle to discern the limits of central-bank stimulus.  The yield on the 10-year U.S. Treasury note has risen more than 0.3 percentage point since hitting a low in July. Bonds in Germany have traded with positive yields, and those in Japan approached Zero in recent days, after plunging deep into negative territory earlies this year.  The selling subsided Wednesday, with the 10-year Treasury note’s yield falling to 1.689% from 1.732% a day earlier. Yields fall when prices rise. | The Wall Street Journal | 09/15/2016 | Sam Goldfarb, Christopher Whittall and Min Zeng |
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| Investors Look Past Fed Meeting, See Low Rates  *No matter what happens this week, slow global growth is expected to be key* | Investors may be missed on what the Federal Reserve will do with interest rates this week. But they are more aligned on what they expect to happen next with rates: not much.  Regardless of the central bank’s decision, many investors expect anemic global growth will keep rates subdued in the long term.  The yield on the 10-year Treasury note rose to 2.281%, a nearly two-month high. | The Wall Street Journal | 09/16/2016 | Min Zeng and Chiara Albanese |
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| What’s News | ♦ The Dow rallied 228.89 points, or 1.4%, to 16599.85 ahead of the Fed meeting. | The Wall Street Journal | 09/16/2016 |  |
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| Bank of Japan Divided as Economy Sags | The Bank of Japan has tried radical measures for 3 ½ years to reflate the country’s sagging economy, resorting this year to negative interest rates. Growth and inflation remain elusive.  It is part of a larger unease in the central banking world, where years of easy monetary policy have failed to achieve goals in Europe as well as Japan, and the U.S. Federal Reserve is struggling with how and when to follow through on a long-advertised tightening.  A bond selloff sent yields on longer-term benchmark German and Japanese bonds surging this month, after historic lows earlier this year. The yield on Japan’s 30-year bond nearly hit zero in July but has jumped to about 0.55%. The S&P 500 stock index, which went two months without a 1% move, recently posted three of that size in three trading days. | The Wall Street Journal | 09/16/2016 | Takashi Nakamichi |
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| Rise In Yields Boosts Costs  *Italy, Spain and some others sell debt with higher rates as market appears to turn* | Sone European governments may have to pay a little more to raise money, as the era of ever-cheaper borrowing costs shows tentative signs of turning.  This past week, Spain, Italy, Norway and Portugal all had to offer investors a higher yield to sell some of their debt. That comes as yields on sovereign debt, from the U.S. to Japan, have risen tin secondary markets amid concern that central banks will stop expanding or will even curtail monetary stimulus that has pushed borrowing costs to record lows.  All governments are still raising money at historically low rates and paying less than they did at the end of 2015, which in itself was a year of cheaper borrowing for many countries.  Yields on government bonds began to rise last Thursday, when the European Central Bank surprised some investors by not announcing fresh stimulus measures or committing to an extension of its bond-buying program beyond next March. | The Wall Street Journal | 09/16/2016 | Emese Bartha and Mike Bird |
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| What’s News | ♦ Retail sales declined last month for the first time since March and manufacturing output slipped. | The Wall Street Journal | 09/16/2016 |  |
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| What’s News | ♦ U.S. stocks fell at the end of a choppy week across markets, with the Dow losing 88.68 points to 18123.80. | The Wall Street Journal | 09/17-18/2016 |  |
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| What’s News | ♦ Consumer prices moved higher in August, offering fresh evidence that U.S. inflation may be firming. | The Wall Street Journal | 09/17-18/2016 |  |
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| Fed Delays Rate Liftoff | The Federal Reserve left short-term interest rates unchanged after weeks of market-churning debate…  While central-bank officials don’t believe recent global economic and market turbulence will throw the U.S. economy off track, they want to be sure before they push rates higher.  The decision left uncertain for a while longer just when the Fed would raise its bench-mark rate, which has been near zero since December 2008.  The central bank has two more scheduled policy meetings this year, in late October and mid-December. | The Wall Street Journal | 09/18/2016 | Jon Hilsenrath |
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| Stocks Pan Fed’s Lack of Action  *Blue chips skitter, then fall 65 pints; bonds and high-yield stocks are winners* | Wall Street reacted with disappointment after the Federal Reserve held short-term interest rates steady, highlighting investors anxiety about the pace of global growth and impatience for a return to normal after seven years of easy-money policies.  The Dow Jones Industrial Average lost 65.21 points to 16674.74 after earlier in the day rising as much as 193 points.  Bond prices rose as investors sought assets seen as safer.  Rising rates would be seen by many as signaling officials are confident of stronger economic growth and an end to the exceptional policy support that has been in place since the 2008 crisis. | The Wall Street Journal | 09/18/2016 | Dan Strumpf, Corrie Driebusch and Min Zeng |
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| What’s News | ♦ The Dow fell 65.21 points to 16674.74, reversing earlier gains. Bonds rose. | The Wall Street Journal | 09/18/2016 |  |
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| Yen Puts BOJ to Early Test  *Currency rallies after Bank of Japan shifts, making the central bank’s task tougher* | The yen surged more than 1% against the dollar Wednesday, extending a sharp 2016 rally and marking an ominous start to the Bank of Japan’s latest bid to rouse a struggling economy.  Japanese currency up 20% against the dollar for 2016. A stronger yen can bruise Japan’s economy by making its products more expensive abroad. | The Wall Street Journal | 09/22/2016 | Chelsey Dulaney |
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| Central Banks Have Investors in a Twist | The Bank of Japan took new steps to revive Japan’s economy while the Federal Reserve prepared the ground for tighter U.S. policy. With two of the world’s most powerful central banks moving in the opposite directions, investors will be caught in the middle.  The risks include big shifts in global money flows that could drive U.S. interest rates higher or lower and cause financial disruptions that undo both central banks’ efforts. | The Wall Street Journal | 09/22/2016 | Justin Lahart and Anjani Trivedi |
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| What’s News | ♦ The dollar weakened, stocks climbed and Treasury yields slipped as investors weighed the central-bank decisions. | The Wall Street Journal | 09/22/2016 |  |
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| Fed Makes Case for Year-End Hike | The Federal Reserve left short-term interest rates unchanged Wednesday but signaled it still expected to raise them before year-end, reaching a temporary truce among officials divided over when to withdraw financial stimulus from the economy.  Fed Chairwoman Janet Yellen offered an upbeat assessment of the economic outlook, noting that growth has picked up after a dismal first half, with household incomes growing solidly and workers rejoining the labor force in search of jobs after years of not looking.  Still, she is in no hurry to raise rates to cool the economy because inflation remains below the Fed’s 2% target and a growing pool of available labor is preventing wage pressures from building. | The Wall Street Journal | 09/22/2016 | Jon Hilsenrath and David Harrison |
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| Central Bank Tools Losing Their Edge | Central banks have shown the will to hit their growth and inflation targets. But do they have the way?  Japan’s monetary travails matter to all central banks since so many countries are coming to resemble Japan, with slow growth and t00-low inflation – factors that make it difficult for an economy to tolerate interest rates much above zero. | The Wall Street Journal | 09/22/2016 | Greg Ip |
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| What’s News | ♦ U.S. stocks extended gains, with the Dow rising 98.76 points to 18392.46. The dollar fell further. | The Wall Street Journal | 09/23/2016 |  |
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| Gartman, Yusko Agree: Recession Coming, Oil to Tank, Other Commodities to Boom | Will the price of oil ever again top $50 a barrel?  Probably not, according to Dennis Gartman, editor and publisher of The Gartman Letter.  “We have seen the end of the bull market in crude. It’s going to be very difficult for WTI crude oil to maintain much above $50 per barrel for any protracted period of time”, he told the audience at the seventh annual inside Alternatives Investment conference in Denver earlier this week.  Gartman’s pronouncement came during a wide-ranging discussion with Mark Yusko, the founder, CIO and CEO of Morgan Creek Capital Management. The two agreed on much about the future of oil and other commodities…  Oil Sinking  Fracking has not only increased production, it’s made extraction less expensive, said Gartman. And new crude oil supplies are being discovered around the world.  Increasingly efficient use of oil will also hold down prices.  Some say the super cycle for commodities is over, but not Gartman. “Given the numbers of people who have truly thrown up their arms and given up on commodities, and the number of commodity hedge funds that have been forced to close – that’s the hallmark of a market that’s about to go in the other direction”.  Recession Coming  “the U.S. stock market is the most vulnerable it’s been since 2000”, Yusko said. “We will have a recession sometime in the next 12 months. And when that happens, stocks will go down a lot in the U.S. as a broad index”.  Neither Gartman nor Yusko indicated they thought the recession they anticipate in 2017 will be devastating but they did think that nine years after the last recession began, another one was to be expected.  Keeping interest rates low is just delaying the inevitable. “When the cost of capital is zero, the return on capital goes to zero. It’s axiomatic, if you give people free money, they will do stupid stuff”, Yusko said.  The speakers agreed that the next U.S. president would likely face a recession. | FA E-Newsletters | 09/23/2016 | Leila Boulton |
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| What’s News | ♦ U.S. stocks indexes fell Friday but notched weekly gains. The Dow closed down 131.01 points at 18261.45. | The Wall Street Journal | 09/24-25/2016 |  |
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| What’s News | ♦ S&P 500 companies are set to report a sixth-straight quarter of falling profits, raising questions about how far stocks can rise without earnings growth. | The Wall Street Journal | 09/26/2016 |  |
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| What’s News | ♦ The Fed proposed rules that could drive banks out of commodities trading by making it too expensive. | The Wall Street Journal | 09/26/2016 |  |
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| What’s News | ♦ OPEC reached an understanding that a production cut was needed to lift oil prices, but will wait until November to finalize a plan. | The Wall Street Journal | 09/29/2016 |  |
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| What’s News | ♦ Stocks rose as oil prices surged, boosting energy shares. The Dow gained 110.94 points to 18339.24. | The Wall Street Journal | 09/29/2016 |  |
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| Deutsche’s Lehman Dilemma  *Ghost of the failed bank haunts German lender, but parallels are misleading* | Eight years ago this month, Lehman Brothers failed in large part due to panicked hedge funds pulling their money.  Lehman failed the way all banks fail: it ran out of cash and liquid assets it could quickly sell to pay clients and counterparties as they ran for the exit.  In principle, the same could happen to any bank, as they never have enough easy-to-sell assets to pay back every depositor immediately. Deutsche is now in focus in part because clients have been spooked by its plummeting shares, down by more than half this year.  But Lehman was particularly vulnerable, due to its reliance on the overnight repurchase, or repo, market and on hedge funds to finance itself. | The Wall Street Journal | 09/30/2016 | James Mackintosh |
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| Stocks End Quarter on a High Note | U.S. stocks wrapped up their best quarter of the year with help from the beleaguered banking sector.  Financial firms had been battered for much of 2016 by volatile markets, sluggish growth and central banks that are putting pressure on profits by keeping interest rates near or below zero. But their shares have started to recover in recent months, as investors regained confidence in the economy and embraced riskier assets.  The gains helped lift the S&P 500 by 3.3% in the third quarter and have eased concerns that advanced in stocks aren’t sustainable if the financial sector isn’t along for the ride. Yet there are also possible rough spots ahead, including uncertainty over when the Federal Reserve will raise interest rates, concerns about Deutsche Bank AG’s thin capital cushion, and unease about the fallout from a scandal over sales tactics that has engulfed Wells Fargo & Co. And sluggish earnings remain a concern.  …Jim Tierney, chief investment officer of concentrated U.S. growth at Alliance-Bernstein Holding LP. “We need to start seeing actual earnings, as well as earnings estimates, start moving up. If that happens, there’s no reason this market can’t get a higher valuation than what it has now”. | The Wall Street Journal | 10/01-02/2016 | Aaron Kuriloff and Riva Gold |
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| What’s News | ♦ The Dow industrials on Friday rose 164.70 points to 18308.15. | The Wall Street Journal | 10/01-02/2016 |  |
|  |  |  |  |  |
| What’s News | ♦ Consumer spending was flat in August, signaling slower growth for a pillar of the economy. | The Wall Street Journal | 10/01-02/2016 |  |

“In the midst of great tragedy, there is always the horrible possibility that something terribly funny will happen.” Philip K. Dick

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Prepared by James M. Juengling.

Juengling & Associates