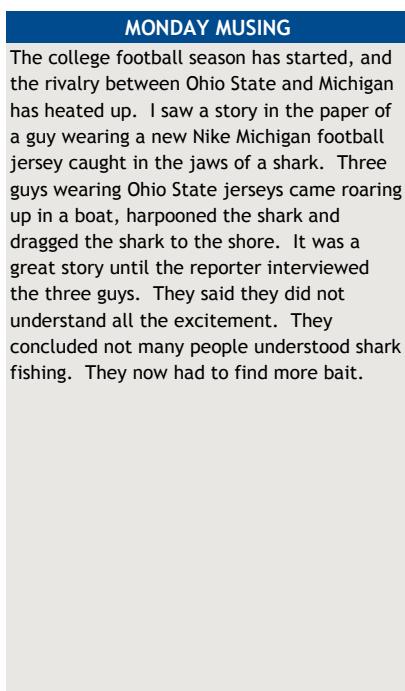
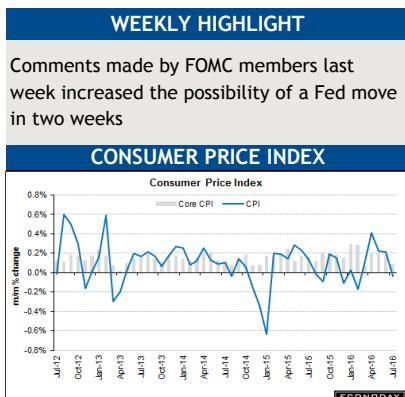


THE AUSTIN ADVISOR

September 12, 2016

Markets	5-Sep	6-Sep	7-Sep	8-Sep	9-Sep	YTD%	31-Dec-15	WEEKLY HIGHLIGHT	
DJIA	N / A	18,538.12	18,526.14	18,479.91	18,085.45	3.79%	17,425.03	Comments made by FOMC members last week increased the possibility of a Fed move in two weeks	
S&P 500	N / A	2,186.48	2,186.16	2,181.30	2,127.81	4.10%	2,043.94		
NASDAQ	N / A	5,275.91	5,283.93	5,259.48	5,125.91	2.37%	5,007.41		
SNL Bank Index	N / A	424.05	424.30	425.91	420.92	-2.45%	431.48		
Fed Funds Rate	N / A	0.40%	0.40%	0.40%	0.40%	0.35%	0.35%		
1 Month LIBOR	0.52%	0.52%	0.51%	0.52%	0.53%	0.43%	0.43%		
3 Month LIBOR	0.83%	0.84%	0.83%	0.85%	0.85%	0.61%	0.61%		
3 Month T-Bill	0.33%	0.32%	0.34%	0.35%	0.35%	0.16%	0.16%		
1 Year Treasury	0.59%	0.56%	0.57%	0.57%	0.58%	0.65%	0.65%		
2 Year Treasury	0.80%	0.74%	0.74%	0.78%	0.79%	1.06%	1.06%		
3 Year Treasury	0.92%	0.86%	0.86%	0.91%	0.93%	1.31%	1.31%		
5 Year Treasury	1.20%	1.13%	1.12%	1.19%	1.23%	1.76%	1.76%		
10 Year Treasury	1.60%	1.55%	1.54%	1.61%	1.67%	2.27%	2.27%		
30 Year Treasury	2.28%	2.24%	2.23%	2.32%	2.39%	3.01%	3.01%		
Economy	Week of September 5, 2016							MONDAY MUSING	
JOLTS	5.871 Million	The increase in job openings from 5.643 M at the end of June indicates further growth of jobs and lower unemployment	Total credit was up more than expected but credit card balances only increased \$2.8B, well below the last three months					The college football season has started, and the rivalry between Ohio State and Michigan has heated up. I saw a story in the paper of a guy wearing a new Nike Michigan football jersey caught in the jaws of a shark. Three guys wearing Ohio State jerseys came roaring up in a boat, harpooned the shark and dragged the shark to the shore. It was a great story until the reporter interviewed the three guys. They said they did not understand all the excitement. They concluded not many people understood shark fishing. They now had to find more bait.	
Consumer Credit	\$17.7 Billion								
Calendar	Release	Covering	Week of September 12, 2016						
Producer Price Index	Thursday	August	Inflation is not an issue, with expectations only looking for a 0.1% rise, bringing the YOY core to up 0.8%						
Retail Sales	Thursday	August	Total sales are expected to be unchanged for the second consecutive month, excluding autos and gas a +0.4% is forecast						
Industrial Production	Thursday	August	Following a strong 0.7% rebound in July, a decline of 0.2% in total; just manufacturing -0.3% is expected						
Capacity Utilization	Thursday	August	The operating rate jumped by more than a point last month, but is expected to settle back to 75.7% from 75.9%						
Consumer Price Index	Friday	August	After no change in July an increase of only 0.1% is expected, keeping the YOY core increase at 2.2%						



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Commentary

In a week with very limited economic data released, investors focused on speeches made by two Fed district presidents and voting members of the FOMC. Both of the speeches sounded like they were written by the same person. The message was the Fed should be raising managed interest rates now. One of the presidents has been viewed as middle of the road in his approach, while the other has been considered as dovish by being cautious in changing monetary policy. The major point made by both of them is that "in the context of a strong economy with good momentum, it makes sense to get back to pace of gradual rate increases, preferably sooner rather than later". This statement was from the speech made by Fed District President Williams. He went on to say his view is not intended to stop the expansion, but rather sustain it for a longer period of time. His concern is the Fed waiting until inflation accelerates means they will need to move faster, with larger increases, when they do move. That would jeopardize the sustainability of the expansion. These two speeches raised the possibility of a rate hike at the FOMC on September 20-21. The comments could be viewed as another signal from the Fed after the speech by Chairwoman Yellen two weeks ago.

The stock and bond market reacted to the speeches with large declines in prices late in the week. Intermediate and long-term bond yields moved up more than the short-end, as yields adjusted to the possibility of a Fed move sooner than had been expected. There are three more speeches scheduled for early this week. If those follow the same script as the two last week, we would expect further moves in financial markets. Both the CPI and PPI are due out this week. Neither is expected to reflect any upward pressure on prices. This is the first look at August data after the low inflation data reported for July. This data should not cause the Fed to conclude they are already behind on ensuring stable prices going forward. The retail sales data is expected to be muted, with auto sales and oil prices keeping the dollar measure of sales unchanged. Excluding auto and gasoline, sales are expected to be up a solid 0.4% for the month. This data continues the trend of the last four months. Consumer spending has moved higher, but this has not forced prices up. We do not expect the Fed to move rates this month. With no inflation pressures and a lower job growth reported for August, we believe they will remain on hold until the December meeting. The possibility of a Fed move has increased with the speeches made last week.

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www.austinassociates.com

info@austinassociates.com