



## POST OAK PRIVATE WEALTH ADVISORS

ADVISORY, CONSULTING & INVESTMENT MANAGEMENT

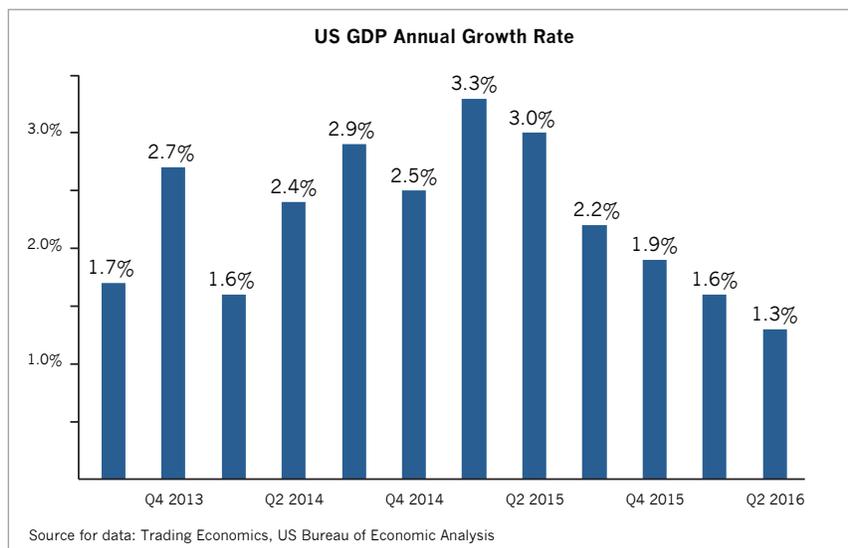
# Monthly Economic & Market Update

October  
2016

Markets eagerly anticipated the Federal Reserve's September decision on future rate hikes. The state of limbo surrounding the Fed's announcement—will they or won't they raise rates—resulted in a flat month for stocks and a small climb in yields for bonds.

### The Economy:

September's economic data reports continued to show a mixed bag of indicators. Good news could be seen on the employment and inflation fronts. Non-farm payroll growth for August was a moderate 151,000 jobs, lower than the previous two months but not as dismal as feared. Inflation remained below the Federal Reserve's target level of 2%, but the core rate for August (excluding volatile food and energy prices) was 2.3%, more in line with the Fed's target. On the other hand, the rate of economic growth (as measured by Gross Domestic Product) continued to be sluggish. The annual GDP growth rate for Q2, which came in at 1.3%, declined for the fifth straight quarter.





## Equities:

September was a mixed month for US stocks with the benchmark S&P 500 Index essentially flat for the period. International stock markets were generally stronger than US stocks, with the MSCI EAFE Index gaining nearly 1% for September. Back in the US, dividend stocks came under pressure as investors anticipated rising interest rates. The S&P 500 Dividend Aristocrats Index slipped 1.3% for the month, but remains up 12% for the year-to-date through September 30. Among equity market sectors, energy stocks were the best performers, climbing 3% in September on the rise in oil prices. Technology stocks also continued their upward momentum, gaining 2.4% in September. Financial stocks were the hardest hit sector, declining 2.7% for the month.

## Bonds:

Fixed income investors were focused on the Federal Reserve in advance of the closely-watched September 21 meeting of Fed governors. The Fed decided to hold the line on rates at that time, keeping the Fed funds target rate in the 0.25-0.50 range. But the Fed's statement following the meeting all but locked in a rate increase before the end of the year, most likely at the December 14 meeting. Yields on longer-term US government bonds rose during the month, with the 10-year Treasury note reaching its highest level in nearly three months before receding by month-end.

## The Month Ahead:

With the heat off of the Federal Reserve for a few weeks, expect the market's attention to focus squarely on the upcoming presidential election. With around one month to go before Election Day, many polls have the contest as a toss-up between the two major party candidates. Both Clinton and Trump appear to be drawing less in the way of enthusiasm and more ire from opposing supporters. Looming uncertainty about the election result will likely keep the markets jittery throughout October. Historically, there has been no correlation between market performance and who wins the White House. But investors should maintain discipline when absorbing news about the election and avoid making emotional decisions in reaction to news headlines.

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