



Markets traded up 2.7% after last week's trade off. Some of the pop may be attributed to the strength in earnings reports for retail companies this week. Retail is not dead yet, and it looks like traditional retail companies are gearing up for a marathon. Most of the growth in retail sales came from e-commerce, which is expected. However, surprisingly, we are also seeing growth in traditional retail. Larger retail companies are adjusting their businesses for the evolving retail landscape. Companies are heavily investing in providing solutions that meet their customers where they are. Does the customer want things delivered? They'll deliver. Does the customer want to pick-up? They'll pull it off the shelf and have it waiting. Does the customer want to walk around the store for a bit? They'll have friendly salespeople available. The transition to this model has been expensive. Yet, successful retail companies are finally seeing returns from these investments. It also helps that consumers are confident; unemployment is low and wages are rising.

Retailers are closing out another positive earnings season. With 95% of S&P 500 companies reporting, earnings for the second quarter have grown by 3.1%, which was 5.6% better than expected. Revenue grew even more than earnings at 4.7%, which was 1.3% better than expected. Analysts are still signaling a contraction in the third quarter, but we are expecting growth in the fourth quarter and for the entire year.

This week has also seen revisions in earlier reported economic numbers. Most of these revisions reinforce earlier views. Retail sales were revised to 0.7%, beating the expected and previous month's growth of 0.3%. The revised productivity number of 2.3% continues to show economic strength when compared to the expected number of 1.2%.

The new numbers for the week also pertain to manufacturing. The Empire State Index, a New York State manufacturing survey, and the Philadelphia Federal Index, a survey of manufacturing conditions in the Federal Reserve's Third District, both show increasing confidence in manufacturing. The Empire State number was at 4.8 and the Philly Fed's number was at 16.8. This compares with the expected 1.1 and 10 respectively.

The spread between the 10-year and 2-year Treasury continued to decrease this week. The spread turned negative for the second time this week on Wednesday.

Weekly Market Topics

- Economy
- Fixed Income Markets
- Equity Markets

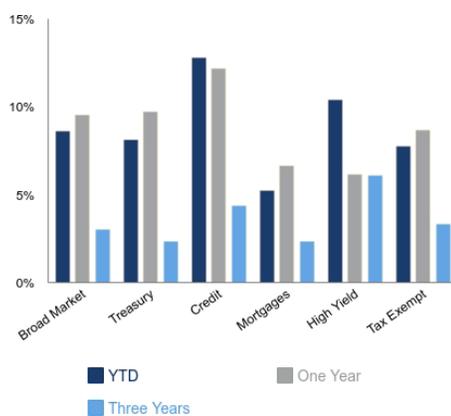
Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper)	2.25	2.00	0.50
3-Month T-Bill	1.97	2.07	0.29
10-Year Treasury	1.59	2.82	1.54
30-Year Treasury	2.07	2.98	2.24
10-Year Corporate AA	2.48	3.69	2.48
10-Year High Yield Corp	4.98	6.10	5.32

Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz)	1,502.65	1,195.80	1,339.09
Oil (WTI, \$/barrel)	55.68	64.35	54.86

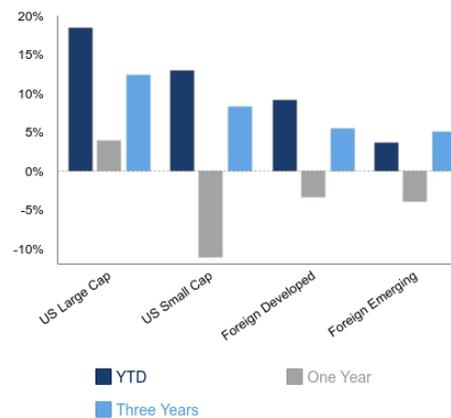
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	98.30	95.15	94.52
USD/EUR	0.90	0.86	0.88
USD/JPY	106.62	110.56	100.33

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Bond Market Total Returns



Equity Market Total Returns



Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.

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