



Good morning!

The findings of the Fed's "stress test" completed on 34 large US banks that were released in late June 2017 showed the banks all passed. The banks were put through financial simulations to determine if they could survive a 2-year economic slump that included a 10% national unemployment rate, a 50% decline in stock values, a 25% drop in home prices and a 35% decline in commercial real estate prices (source: Federal Reserve).

So much for the financial predictions that were widely thought to be "locks" for 2017: rising interest rates – wrong; rising crude oil prices – wrong; rising inflation – wrong. The robust economic growth that many stock investors were anticipating during year # 1 of a Trump administration has yet to play out, but that hasn't stopped the S&P 500 from gaining +9.3% (total return) during the first half of 2017. The index has posted gains for 8 consecutive months (through 6/30/17) and 15 of the last 16 months. The last time the S&P 500 was up in each of the first 6 months of a calendar year was 1996 (21 years ago), a full year that produced 10 of 12 "up" months and a +23.0% gain for the entire year (source: BTN Research).

Fed Chair Janet Yellen delivers her 2-day semiannual testimony before separate House and Senate committees this upcoming week. Yellen has less than 7 months remaining on her initial 4-year term that runs out on 2/03/18. Speaking at an economic forum in London 2 weeks ago, Yellen confidently stated that there wouldn't be another financial crisis "in our lifetimes" (source: Federal Reserve).

#### Notable Numbers for the Week:

1. **LAST YEAR'S TEN WORST** - An equal investment made at the end of the trading day on **Friday 12/30/16** in the **10 worst performing individual stocks** within the S&P 500 from calendar year 2016 was **up +6.6% YTD** through 6/30/17. The S&P 500 was **up +9.3% YTD** (total return) through 6/30/17 (source: BTN Research).
2. **PRECURSOR TO TROUBLE?** - The **last 2 times** the "2-year" to "10-year" part of the **US yield curve** was **inverted** (i.e., when the 2-year note yield is **higher than** the 10-year note yield) was **June 2007 and December 2000**, just ahead of a recession each time (source: BTN Research).
3. **I'VE BEEN BUSY** - 31% of American workers surveyed have **accumulated no money** for their retirement either on a pre-tax basis or a post-tax basis (source: Social Security).
4. **BUILDING NEW HOMES** - Permits for the construction of **6.14 million single family homes** were issued during the **4 years** of 2003-2006. Permits for the construction of **6.08 million single family homes** were issued during the **10 years** of 2007-2016 (source: Joint Center for Housing Studies of Harvard University).

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