

The Market Week in Review

For Week Ending August 29, 2015

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THE MARKETS

It was a historic week for U.S. equities which saw unprecedented and chaotic market gyrations largely as a result of spillover from the disarray in China's stock market. Among the statistics that left even professional traders clambering for answers was a 1,089 point intraday drop in the Dow – the largest ever. That move was followed by the biggest intraday point gain in a decade. Stocks then proceeded to log the largest two day upturn in history. By the week's end, the Dow cumulatively traveled more than 10,000 points and in a somewhat miraculous turn of events, all 4 of the major indexes came away with gains for the week. Seemingly not to be outdone, crude oil jumped 10% on Wednesday for its best day since March 2009 and driving the energy sector to the S&P's top spot. Despite the heightened volatility, gold sold off about 2% but still settled at a slightly higher level than it traded at early last week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,459.75	16,643.01	183.26	1.11%	-6.62%
Nasdaq	4,706.04	4,828.32	122.28	2.60%	1.95%
S&P 500	1,970.89	1,988.87	17.98	0.91%	-3.40%
Russell 2000	1,156.79	1,162.91	6.12	0.53%	-3.47%

DAILY DEVELOPMENTS

MONDAY

The Chicago branch of the Federal Reserve announced Monday that its National Activity Index rose by +0.34 in July to its best level this year, and up from -0.07 in June. At the same time the three month average was neutral after a negative 0.08 reading in June. The index, which is a weighted average of 85 different economic indicators, is designed so readings above zero signal growth above historic trends, where a three month average below -0.70 suggests a recession has begun. Fifty of the 85 indicators were positive in July while 35 were negative.

TUESDAY

U.S. consumer confidence rose in August to its highest level since January, reflecting optimism about an improving labor market. The Conference Board, a private research group, said Tuesday that its index of consumer confidence rose to 101.5 in August, bouncing back after a steep decline in July. That survey was taken before this week's market turbulence, although the average consumer isn't heavily invested in the market.

Also on Tuesday the Commerce Department announced that new home sales rose 5.4% last month to a seasonally adjusted annual rate of 507,000, recovering from a slide in purchases in June. That represents a very impressive 21% increase from a year earlier. Separately, Standard & Poor's/Case-Shiller 20-city home price index rose 5% in June from a year earlier and the National Association of Realtors said last week that sales of existing homes rose 2% last month to a seasonally adjusted annual rate of 5.59 million, the fastest rate since February 2007. Sales have jumped 9.6% over the past 12 months, while the number of listings has declined 4.7%.

WEDNESDAY

The Commerce Department said orders for durable goods increased 2% in July after a 4.1% gain in June. Orders for goods intended to last at least 3 years rose even though demand for commercial aircraft fell 6% during the month following a 69.7% surge in June. Orders for machinery rose by 1.5%, and demand for communications equipment increased 1.8%. Orders for computers and primary metals such as steel both fell. Orders in a category that serves as a proxy for business investment increased 2.2% in July following a 1.4% rise in June. These orders had fallen in four of the previous five months. The report adds to a string of recent economic data that indicate the U.S. economy is on solid ground even in the face of various global headwinds.

THURSDAY

Initial claims for state unemployment benefits slipped 6,000 to a seasonally adjusted 271,000 for the week ended August 22nd, the Labor Department said on Thursday. It was the first decline in new claims since July 18th. The four week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, rose by just 1,000 to 272,500 last week. It was the 22nd straight week that the four week average remained below the 300,000 threshold, which is usually associated with a strengthening labor market.

The U.S. economy expanded an annualized 3.7% in the second quarter as compared to the earlier estimate of 2.3%, according to data released by the Commerce Department on Thursday. The revised growth number exceeded economists' expectation of 3.3% growth. The second quarter jump in GDP was driven by business investment, inventory, government spending, and consumer spending.

FRIDAY

Personal income rose 0.4 percent in July, in line with expectations while consumer spending missed by a tenth, rising 0.3 percent. Wage growth increased 0.5 percent which was the biggest jump since last November. Inflation readings revealed it was almost nonexistent, ticking up one tenth.

In contrast to Tuesday's consumer confidence reading, the consumer was slightly unnerved according to the final reading of consumer sentiment for August. The reading of 91.9, although solid, missed expectations of 93.3 and reflected the consumer's worries about China and the impact it has had on the capital markets.

TIDBITS

The People's Bank of China has lowered interest rates and the reserve requirement ratio to end panic selling and extreme volatility on the Chinese stock market.

QUOTE OF THE WEEK

"At this moment of fragility, raising rates risks tipping some part of the financial system into crisis, with unpredictable and dangerous results."
- Former U.S. Treasury Secretary Larry Summers

I hope you have found the information in this week's market summary informative. If you would like to comment on any of the information found in this week's Market Commentary please e-mail me at awillms@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call me at the number listed below.

Best regards,

Andy

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