

The Market Week in Review

For Week Ending August 8, 2015

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THE MARKETS

Stocks continued their retreat this week, led by energy companies that traded lower as crude oil closed the week below \$44 per barrel. The Dow logged a seventh straight day of losses as several of its most heavily weighted components reported disappointing earnings. Despite the stock market's decline, the broadly watched CBOE Volatility Index (the VIX) remained near historically low levels, suggesting investors are not convinced the sell-off will continue. . Bond prices were bid higher as the yield on the 10 Year Note moved down to 2.17 percent. The dollar's action after the jobs report on Friday had some traders scratching their heads, but it ultimately gained traction against a basket of other currencies as more market participants are pricing in a rate hike in September. Gold experienced a seventh week of price declines and closed below \$1,100 per ounce.

| Index | Started Week | Ended Week | Change | % Change | YTD % |
|--------------|--------------|------------|---------|----------|--------|
| DJIA | 17,690.46 | 17,373.38 | -317.08 | -1.79% | -2.52% |
| Nasdaq | 5,128.28 | 5,043.54 | -84.74 | -1.65% | 6.49% |
| S&P 500 | 2,103.92 | 2,077.57 | -26.35 | -1.25% | 0.91% |
| Russell 2000 | 1,238.68 | 1,206.90 | -31.78 | -2.57% | 0.18% |

DAILY DEVELOPMENTS

MONDAY

The University of Michigan's consumer sentiment index for July was revised lower to 93.1 from the mid-month reading of 93.3. With the downward revision, the index was even further below the final June reading of 96.1. The downward revision came as a surprise to economists who had expected the index to be upwardly revised to 94.1. A disappointing pace of economic growth was the main reason for the small decline in consumer confidence. However, the Index has averaged 94.5 since December 2014, the highest eight month average since 2004.

The wages and benefits that companies, governments, and nonprofit institutions pay their employees rose a record-low 0.2% in the second quarter, according to the employment cost index released by the Labor Department on Friday. The slowdown comes after first-quarter data had suggested wage growth had picked up perceptibly from the stagnant trend of several years. Wages rose just 0.2% after a 0.7% rise in the first quarter while benefits rose 0.1% after a 0.6% gain in the first quarter. Over the past 12 months employment costs decelerated to a gain of 2.0%, down from a 2.6% rise in the first quarter.

The Institute for Supply Management's manufacturing index fell to 52.7% in July from 53.5% in June. Readings over 50 indicate improving conditions, but the decline was unexpected.

TUESDAY

The Commerce Department said on Tuesday that new orders for manufactured goods increased 1.8 percent after declining 1.1 percent in May. Orders for transportation equipment surged 9.3 percent in June, reflecting a 65.4 percent jump in aircraft bookings. Non-defense capital goods excluding aircraft - seen as a measure of business confidence and spending plans - increased 0.7 percent, slightly less than the 0.9 percent rise reported last month. Orders for machinery, furniture, fabricated metal products, electrical equipment, appliances and components all increased.

WEDNESDAY

The Commerce Department announced Wednesday that the U.S. trade deficit rose 7.1% to \$43.8 billion in June. The strengthening U.S. dollar combined with faltering global economic growth led to the largest trade gap in 3 months. Exports were little changed at \$188.6 billion compared with \$188.7 billion in May. Imports climbed 1.2 percent to \$232.4 billion from \$229.7 billion in the prior month. The Commerce Department also revised its original estimate of the trade gap in May from 41.9 billion to \$40.9 billion suggesting the economy probably grew at a slightly faster pace in the second quarter than currently estimated.

THURSDAY

Initial claims for state unemployment benefits increased 3,000 to a seasonally adjusted 270,000 for the week ended August 1st, the Labor Department said on Thursday. Claims for the prior week were unrevised. It was the 22nd consecutive week that claims remained below the 300,000 threshold, which is associated with a strengthening labor market. Economists had expected claims to rise to 273,000 last week.

FRIDAY

215,000 jobs were created in July and unemployment remained at 5.3 percent, according to a report by the Labor Department. Both figures were in line with expectations. Wages increased 0.2 percent and the average work week increased one tenth to 34.6 hours. Additionally, the U-6 unemployment rate, which factors in those who are underemployed, also notched lower to 10.4 percent.

TIDBITS

Wages and benefits paid by U.S. employers this spring rose at the slowest pace since the second quarter of 1982, the Labor Department said. The employment cost index, which tracks salaries, wages and benefits, gained 0.2% in Q2, compared with a 0.7% gain in Q1.

QUOTE OF THE WEEK

“Be undeniably good. No marketing effort or social media buzzword can be a substitute for that.”
- Anthony Volodkin

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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