

The Market Week in Review

For Week Ending December 12, 2015

Contact Us

- Our Website:
www.estatecounselors.com
- Our E-mail:
firm@estatecounselors.com
- Our Phone Number:
(262) 238-6996
- Our Address:
414 N. Main Street
Thiensville, WI 53092

THE MARKETS

Stocks trended lower all week in what is typically the heaviest week of the year for tax-loss harvesting. Small caps led the decline of the major indices with the Russell 2,000 stumbling over 5 percent. Blue chips were the relative winner, with the Dow sliding 3.26 percent. Oil continued its downward spiral with benchmark U.S. crude now below \$36 per barrel. However, the oil volatility index (OVX) seems to have leveled off, suggesting that prices could finally be bottoming out. Amidst the volatility, Treasury prices climbed to their highest levels in six weeks. The yield on the Ten Year Note fell from 2.27 percent to 2.14 percent during the week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,847.63	17,265.21	-582.42	-3.26%	-3.13%
Nasdaq	5,142.27	4,933.47	-208.80	-4.06%	4.17%
S&P 500	2,091.69	2,012.37	-79.32	-3.79%	-2.26%
Russell 2000	1,183.40	1,123.61	-59.79	-5.05%	-6.73%

DAILY DEVELOPMENTS

MONDAY

Federal Reserve announced Monday that its Labor Market Conditions Index (LMCI) rose 0.5 points in November, the seventh consecutive monthly increase suggesting that the labor market continues to improve at a moderate pace. Continued employment growth and a declining unemployment rate should lead to a modest acceleration in wage growth.

TUESDAY

On Tuesday, the October 2015 JOLTS report was issued by the Bureau of Labor Statistics. The number of job openings was roughly 5.4 million on the last business day of October. Hires and separations were little changed at 5.1 million and 4.9 million, respectively. The number of job openings rose over the 12 months ending in October for total nonfarm, total private and government positions. More specifically, job openings also rose in health care and social assistance by 225,000, retail trade by 141,000, state and local government by 51,000 and federal government by 15,000. Job openings decreased over the year in finance and insurance by 55,000 and in mining and logging by 17,000.

The National Federation of Independent Business (NFIB) reported on Tuesday that its small business optimism index for November dropped 1.3 points from 96.1 in October to come in at 94.8. The November reading remains below the index's 42-year average of 98. The job creation component remained unchanged at 11%, the job openings component also remained unchanged at 27%, capital spending plans slipped a point to 25% and inventory investment plans remained unchanged at zero.

WEDNESDAY

The Commerce Department reported Wednesday that wholesale inventories edged down by 0.1 percent in October after rising 0.2 percent in September. Inventories of durable goods dipped by 0.1 percent, reflecting a 1.1 percent drop in inventories of metals and minerals, except petroleum. Inventories of non-durable goods also slipped by 0.1 percent amid a 5.2 percent decrease in inventories of farm product raw materials. Sale of durable goods fell by 0.8 percent while sales of non-durable goods rose by 0.7 percent.

THURSDAY

First time jobless claims increased 13,000 last week, reaching a seasonally adjusted 282,000, the highest total in five months, according to the U.S. Labor Department. The rolling four week average, considered a more accurate picture of the labor market, climbed 1,500, to 270,750. Claims have now been below the 300,000 threshold, which is normally associated with healthy labor market conditions, for 40 straight weeks. This is the longest stretch since the early 1970s.

The Labor Department said on Thursday import prices dropped 0.4 percent last month after a revised 0.3 percent decrease in October. Import prices have declined in 15 of the last 17 months suggesting that cheaper crude oil and a strong dollar will keep imported inflation pressures subdued for a while.

FRIDAY

Producer prices rose 0.3 percent in November although they are down 1.1 percent from a year ago. The core number, which strips out food and energy, also rose 0.3 percent and is up 0.5 percent from a year ago. Energy prices fell 0.6 percent during the month and are now down 19 percent from a year ago.

Retail sales rose 0.2 percent in November, missing the consensus estimate by a tenth. Most of the decline was attributed to a drop in auto sales (which have been very strong for most of the year and falling gasoline prices. Retail sales rose 0.5 percent absent those two components.

Consumer sentiment rose slightly in the partial December reading to 91.8. Strength was seen in the current conditions component which was up nearly 3 points to 107.0, a positive indicator for holiday spending. Expectations, however, continue to lag, down 9 tenths to 82.0 to indicate caution over the long-term jobs outlook. Inflation readings, reflecting low fuel prices, remain subdued at 2.6 percent for both the 1- and 5-year outlooks.

TIDBITS

Dow Chemical and DuPont announced their intention to join forces this past week. The all-stock merger of equals caps a record year for deal-making, with more than \$4 trillion worth of deals announced in 2015.

QUOTE OF THE WEEK

"Ability has nothing to do with opportunity."
- *Napoleon Bonaparte*

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

Andrew J. Willms, J.D. LL.M.

Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
www.estatecounselors.com

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