

The Market Week in Review

For Week Ending December 26, 2015

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THE MARKETS

The stock and bond markets had a short trading week and lower than normal volume as many on Wall Street spent time away with family and friends. The activity that did occur was mostly positive, however, as stocks, oil and other commodity prices all rallied. The gains brought the broad Standard & Poor's 500 Index back into positive territory for the year to date and added to the Nasdaq Composite's year to date gains. The rally in oil prices also helped the high yield bond market, which has a high percentage of energy-related issuers, although trading volumes were light here, as well.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,128.55	17,552.17	423.62	2.47%	-1.52%
Nasdaq	4,923.08	5,048.49	125.41	2.55%	6.60%
S&P 500	2,005.55	2,060.99	55.44	2.76%	0.10%
Russell 2000	1,121.02	1,154.76	33.74	3.01%	-4.15%

DAILY DEVELOPMENTS

MONDAY

The National Activity Index released by the Chicago branch of the Federal Reserve declined to -0.30 in November, according to data released on Monday. Although that's the lowest the lowest reading for the index since May it is still solidly above the -70 reading that suggests the start of a recession. The index's three month moving average fell to -0.20 in November from -0.18 in October, suggesting that growth in national economic activity is only modestly below its historical trend.

TUESDAY

The National Association of Realtors said Tuesday that sales of existing homes plummeted by 10.5% to a seasonally adjusted annual rate of 4.76 million units, making last month the weakest in 19 months. The sharp decline is most likely due in part to new federal regulations that may have delayed closings until September. Sales of existing homes are on track to rise roughly 5% for the entire year.

The Commerce Department said Tuesday that its revised estimate for the United States gross domestic product is that the economy grew at a 2% annual rate in the third quarter. That was a bit lower than its previous estimate of 2.1% and significantly below the 3.9% annual GDP growth rate recorded in the second quarter. Spending on equipment increased at a 9.9 percent annualized pace in the third quarter, the strongest since the same period last year.

WEDNESDAY

It was a busy day for the Commerce Department on Wednesday, which issued three different reports.

In sharp contrast to the dismal report on Tuesday regarding the sale of existing homes, the Commerce Department announced Wednesday that purchases of newly constructed single family homes increased by 4.3% in November to a seasonally adjusted annual rate of 490,000. Sales rose 14.5% in the first 11 months of 2015 compared with the same period in 2014. Still, the pace of new home sales has trended down since early 2015, averaging 467,000 over the past three months versus 517,000 in the first three months of the year.

Household spending in November climbed 0.3 percent, the most in three months, according to other data from the Commerce Department released on Wednesday. The gain was driven by a 1.1 percent increase in outlays for durable goods such as cars and appliances. Disposable income rose by 3.9% for the year through the month of November.

Lastly, the Commerce Department also reported that shipments of non-defense capital goods excluding aircraft, which are used in calculating gross domestic product, decreased 0.5% last month after a revised 1 percent slump in October that was twice the previously estimated decline. The figures suggest that capital spending has slowed in fourth quarter after a jump in the previous three months.

THURSDAY

Initial claims for state unemployment benefits dropped 5,000 to a seasonally adjusted 267,000 for the week ended December 19th, the Labor Department said on Thursday. Claims have been below 300,000 for 42 consecutive weeks which is the longest stretch since the early 1970s. The four week moving average of claims, considered a better measure of labor market trends as it strips out week to week volatility, rose by 1,750 to 272,500, while the number of people still receiving benefits after an initial week of aid declined 47,000 to 2.20 million in the week ended December 12th. The four week moving average of continuing claims rose 10,000 to 2.21 million.

FRIDAY

The Markets were closed for Christmas on Friday.

TIDBITS

The Saint Louis Federal Reserve's most recent Financial Stress Index for December is 0.44, suggesting that the level of stress in the United States financial system is at a level regarded as being normal. Readings of +1.82 and above are considered a signal of significant stress.

QUOTE OF THE WEEK

"I feel confident about the fundamentals driving the U.S. economy, the health of U.S. households, and domestic spending. There are pressures on some sectors of the economy, particularly manufacturing, and the energy sector... but the underlying health of the U.S. economy I consider to be quite sound."

- Fed Chair Janet Yellen during her press conference last week following the announcement that the Federal Reserve was raising interest rates for first time in nine years.

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.

Happy Holidays!

Best regards,

Andy

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