

The Market Week in Review

For Week Ending December 5, 2015

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THE MARKETS

After briefly going negative for the year, the S&P bounced back into positive territory after a strong jobs report propelled all the major indices markedly higher on Friday. Also on Friday, OPEC announced that it would not cut crude oil production even as the global supply glut continues. Crude oil fell below \$40 a barrel on the news. Earlier in the week, the Euro surged against the dollar after the European Central Bank cut its deposit rate by just 10 basis points – much less than the markets had anticipated. The weakness in the dollar boosted the price of gold to \$1,085 an ounce, although the precious metal is still trading near a six year low. Treasuries traded wildly as market participants attempted to price in what may be an increase in benchmark interest rates later this month. The yield on the 10 Year Note, however, was little changed for the week at 2.27%.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,813.39	17,847.63	34.24	0.19%	0.14%
Nasdaq	5,127.52	5,142.27	14.75	0.29%	8.58%
S&P 500	2,090.11	2,091.69	1.58	0.08%	1.59%
Russell 2000	1,202.38	1,183.40	-18.98	-1.58%	-1.77%

DAILY DEVELOPMENTS

MONDAY

The National Association of Realtors said Monday that its seasonally adjusted pending home sales index rose 0.2% to 107.7 last month. The index has increased 3.9% over the past 12 months. The number of signed contracts advanced in the Northeast and West, while dipping in the Midwest and South. “The data suggests that growth in home sales has slowed significantly”, said Jim O’Sullivan, chief U.S. economist at High Frequency Economics.

TUESDAY

On Tuesday the Institute for Supply Management announced that its national factory index fell from 50.1 in October to 48.6 last month, the weakest reading since June 2009. A reading below 50 indicates the manufacturing sector is contracting, while a reading below 43.1 signals a recession. Additionally, the ISM's measure of new orders declined by 4 points in November to 48.9.

Also on Tuesday the Commerce Department said construction spending increased 1.0% in October to a seasonally adjusted \$1.11 trillion rate, following a 0.6% increase in September. Expenditures on private residential construction were the most since December 2007 while investment in private non-residential construction projects rose to a near seven-year high. Public construction outlays jumped 1.4% to a five-year high as a surge in federal government spending offset a decline in investment by state and local governments.

WEDNESDAY

U.S. economic activity continued to expand at a modest pace in most regions from early-October through mid-November, the Fed said in its Beige Book report of anecdotal information on business activity collected from contacts nationwide. Consumer spending increased in nearly all districts, while manufacturing remained mixed. However, manufacturers in most districts said they looked for improved business conditions over the next six months. Exports continued to decline in response to the strong dollar, low commodity prices and the weak global demand. Wages improved as employers found it increasingly difficult to fill jobs across skill levels. Compensation per hour rose at a 4.0% annual rate in the third quarter, up 1% from the original estimate the department had reported last month. Compensation was up a solid 3.6% from the third quarter of 2014.

Private employers added 217,000 workers in November, which follows a 196,000 gain in October, according to the ADP National Employment Report released Wednesday. Manufacturing rebounded from two straight months of shedding jobs, adding 6,000 new hires in November.

THURSDAY

Weekly applications for jobless benefits rose 9,000 last week to a seasonally adjusted 269,000, the Labor Department said Thursday. Weekly filings have stayed below the key threshold of 300,000 since late March. The four week average was down slightly to 269,250, not far off from the recent low of 259,250 that was registered at the end of October. The number of people collecting benefits has fallen 9.3% from a year ago to 2.2 million.

Also on Thursday the Commerce Department announced that factory orders rose 1.5% in October. The surprising increase follows monthly declines of -0.8% in September and -2.1% in August. Factory orders have tumbled 7.1% year-to-date. A separate category that serves as a proxy for business investment spending that excludes aircraft and defense orders improved 1.3%.

FRIDAY

Nonfarm payrolls rose 211,000 last month, the Labor Department said on Friday. September and October data was revised to show 35,000 more jobs than previously reported. The unemployment rate held at a 7-1/2-year low of 5%, even as people returned to the labor force. Average hourly earnings increased four cents, or 0.2% from 0.4% in October. "The employment report should remove the final doubts about a rate hike at the December meeting. The clear message from the labor market to the Fed is: 'Just do it!'" said Harm Bandholz, chief U.S. economist at UniCredit Research in New York.

The Commerce Department released data on Friday indicating that the U.S. trade deficit widened by 3.4% in October to \$43.9 billion, up from a \$42.5 billion deficit in September. The total fell by 1.4% to \$184.1 billion while exports of goods dropped 2.4% to \$123.8 billion, the lowest level since June 2011. Imports of goods and services dropped 0.6% in October to \$228 billion, as petroleum imports fell to the lowest level in nearly 15 years.

TIDBITS

According to the National Retail Federation the number of U.S. shoppers who did their buying online over the Thanksgiving weekend was almost the same as the number who went to stores. The trade group still expects 3.7% growth in retail sales during November and December, which is down slightly from a 4.1% increase last year.

QUOTE OF THE WEEK

"Like all parents, we want you to grow up in a world better than ours today."

- Facebook Founder Mark Zuckerberg and his wife Priscilla Chan in a letter to their new-born daughter Max that was also posted on Facebook, declaring their intention to donate 99% of their Facebook stock to an organization they are establishing in Max's name to support charitable causes such as fighting disease, improving education and "building strong communities".

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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