

The Market Week in Review

For Week Ending May 23, 2015

THE MARKETS

The U.S. stock markets performed relatively well this week, given the lower than average volume. The S&P 500 hit an all-time high once again, breaking out of a 70 point trading range it had been stuck in since February. The dollar also rallied against the Euro for the first week in five, prompting gold to trade lower closing the week at \$1,205 an ounce. Crude oil also sold off despite inventories that have now declined for three weeks in a row. Interest rates crept higher sending bond prices lower with the yield on the 10 Year Treasury Note now standing at 2.21 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,272.56	18,232.02	-40.54	-0.22%	2.29%
Nasdaq	5,048.29	5,089.36	41.07	0.81%	7.46%
S&P 500	2,122.73	2,126.06	3.33	0.16%	3.26%
Russell 2000	1,243.95	1,252.22	8.27	0.66%	3.94%

DAILY DEVELOPMENTS

MONDAY

The National Association of Home Builders' Housing Market Index, which attempts to measure the level of optimism of home builders, dipped 2 points in May to 54. Although the May figure softened, the index continues to signal strength in the new home market that hasn't yet appeared in sales numbers. However, the future sales component continues to remain strong, gaining 1 point to a very healthy 64.

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TUESDAY

After several months of weak readings, housing starts shot up by over 20 percent in April to an annualized pace of 1.14 million units, beating even the highest consensus estimates for the best gain in 7-1/2 years. Both single-family and multi-family units came in very solid with single-family starts up 14.7 percent from a year ago. Permits for both single and multi-family units were also strong, rising 7.1 percent and 5.5 percent from a year ago, respectively.

WEDNESDAY

The minutes from the Federal Reserve's Open Market Committee in April suggest that a majority of the members of the Federal Reserve's Open Market Committee believe the economy's slow start to the year was caused by temporary factors like a cold winter and disruptions at West Coast ports, and expect the U.S. economy to rebound as the year progresses. However, the minutes also indicated that many members doubt that data on the U.S. economy available next month will be favorable enough to justify raising the target range of the federal-funds rate in June.

THURSDAY

Initial claims for state unemployment benefits increased 10,000 to a seasonally adjusted 274,000 for the week ended May 16th, the Labor Department said on Thursday. Claims for the prior week were unrevised. Despite last week's increase, claims remained below 300,000, a threshold associated with a strengthening labor market, for an 11th straight week.

Also on Thursday the National Association of Realtors reported that sales of previously-owned homes fell by 3.3% as the number of homes offered for sale declined. More specifically, completed sales of existing-homes (single-family homes, townhomes, condominiums, and co-ops) fell to an annual, seasonally adjusted rate of 5.04 million in April. Despite April's decline, sales have now increased on a year over year basis for seven straight months. As of the end of April, the supply of available housing for sale stood at 2.21 million existing-homes, 10% higher than the prior month but 0.9% lower than one year earlier. The current number of homes available for sale represents a 5.3 month supply at the current sales pace, up from a 4.6 month supply in March. Economists generally consider a 6 month supply a healthy market.

FRIDAY

The Consumer Price Index increased a mere 0.1 percent in April. Although oil prices have been rising, gasoline fell 1.7 percent holding the headline number down. Excluding the volatile food and energy components, prices increased 0.3 percent. Year over year prices have actually declined 0.2 percent.

During a speech in Providence, Rhode Island, Fed Chair Janet Yellen reiterated that the economy is currently soft but appears to be expanding a quicker clip as of late. She stated that wages remain low and that business spending has recently slowed. Despite recognizing these weaknesses, she indicated that the Fed is likely to raise interest rates at “some point” this year.

TIDBITS

Of the 8.5 million Americans who don't have jobs, 40% have stopped trying to find work, a Harris poll found. The labor-force participation rate remains close to its lowest level in 37 years.

QUOTE OF THE WEEK

“Our debt to the heroic men and valiant women in the service of our country can never be repaid. They have earned our undying gratitude. America will never forget their sacrifices.”

-President Harry S. Truman

I hope you have found the information in this week's market summary helpful. 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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