

The Market Week in Review

For Week Ending April 2, 2016

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THE MARKETS

Stocks reached their highest levels of what has so far been a tumultuous year, as the first quarter of 2016 drew to a close. The move higher this past week seemed to be driven by a more-than-expected dovish tone in comments made by Fed Chair Yellen early in the week at the Economic Club of New York. Her remarks led to an 11 basis point slide in benchmark interest rates to 1.79 percent. Crude oil prices also declined for a second straight week to close under \$37 a barrel. Gold closed the week nearly flat at \$1,223 an ounce.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,515.73	17,792.75	277.02	1.58%	2.11%
Nasdaq	4,773.50	4,914.54	141.04	2.95%	-1.85%
S&P 500	2,035.94	2,072.78	36.84	1.81%	1.41%
Russell 2000	1,079.54	1,117.68	38.14	3.53%	-1.60%

DAILY DEVELOPMENTS

MONDAY

The Commerce Department announced Monday that personal income in the U.S. rose 0.2% in February, the smallest increase since September. In addition, January's initial estimate was revised downwardly from 0.5% to 0.1%. In the 12 months ended February 29th, prices rose 1%, half of the Federal Reserve's 2% target. Spending has been weak as consumers are putting more of their incomes into savings.

TUESDAY

The Conference Board said Tuesday that its consumer confidence index rose to 96.2 this month after tumbling to a revised 94 in February. The expectations subindex, which tracks consumers' expectations for the next six months, rose to 84.7 from 79.9 the prior month. But the present situation index dropped slightly to 113.5 from 115 in February, touching its lowest level since November. Consumers were slightly more optimistic regarding the stock market's prospects, with 28.7 percent of consumers indicating that they expected stocks to rise over the next year. That was up from 26.9 percent in February, the lowest share since July 2012.

WEDNESDAY

New mortgage applications fell by 1 percent last week from the previous week, the Mortgage Bankers Association said due to a drop in refinancing, which slipped by 3 percent. Rates for 15 year fixed rate mortgages, a popular refinance option, rose slightly to 3.19 percent. The average rate for a 30 year fixed rate mortgage increased by a tenth of 1 percent to 3.94 percent for loans \$417,000 or less. Loans for more than \$417,000, known as jumbo mortgages, fell slightly to 3.82 percent.

ADP's private payroll count for the month of March showed 200,000 jobs were created during by the private sector of the U.S. economy during March. ADP's report has been an accurate barometer of the government's data the past several months and this report suggests the potential for strong numbers later this week. Most of those gains were in the service sector - 191,000 jobs added there. Manufacturing gained 3,000 jobs in March.

THURSDAY

Initial jobless claims rose more than expected during the week of March 26th, but they still remain near all-time lows. The increase of 276,000 was a miss of 10,000 and an increase of 11,000 from the previous week. Continuing claims for the March 19th week fell 7,000 to 2.17 million while the four week average fell 14,000 to 2.19 million. Today's report suggests ongoing strength in the labor market.

The latest S&P/Case-Shiller U.S. National Home Price Index was also released on Thursday. It indicated that prices in 20 major metropolitan areas increased to 5.7% in January from the previous year. Home prices continue to rise about twice as fast as the overall rate of inflation.

FRIDAY

The Labor Department announced on Friday that nonfarm payrolls climbed by 215,000 in March, and the participation rate ticked up a tenth to 63.0 percent. The increase in the participation rate caused the unemployment rate

to increase to 5.0 percent. Wages also moved higher, increasing by 0.3 percent and beating the consensus estimate by a tenth.

U.S. manufacturers expanded in March, ending a five month streak of declining factory activity, according to data released by the Institute for Supply Management. More specifically, ISM's manufacturing index rose to 51.8 last month from 49.5 in February. (Any reading above 50 signals growth.) The welcomed increase was largely a due to an increase in new orders as export orders rose to their highest level since last July as the dollar weakened.

The University of Michigan's Consumer Sentiment Index rose one point to 91.0 for the month of March, surprising some analysts who projected that low wages and uncertainty surrounding the race for the White House would pull down consumers' spirits. Attitudes toward the current economic conditions slid slightly to 105.6, down from 106.8 in February. Future expectations also edged lower at 81.5 in March from 81.9 in February.

The Commerce Department announced on Friday that construction spending dropped half a percent during February. Reading deeper into the report, however, revealed underlying strength in the sector as a whole with year-over-year growth in residential spending reaching 10.7 percent. Non-residential spending, which slipped 1.3 percent, was the drag on the headline number, although the one year figures for this component were also up handsomely at 10.6 percent.

TIDBITS

The U.S. District Court has allowed antitrust and breach-of-contract claims against Bank of America Corp., Barclays Plc and a dozen more banks to proceed to trial. The court has found that "plausible allegations that a conspiracy among the defendants existed" that the banks rigged a benchmark used in the sales of interest-rate derivatives and other financial instruments.

QUOTE OF THE WEEK

The harder you work the luckier you become.
- Roger Penske

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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