

# The Market Week in Review

For Week Ending April 30, 2016

## THE MARKETS

It was the busiest week of the first quarter earnings season and 300 of the 500 S&P components have now reported. Disappointing corporate profits and a muted 2016 outlook from many CEO's led stocks lower throughout the week. The announcement of no change in Fed policy caused the dollar to soften, sending gold to hit a 15 month high just shy of \$1,300 an ounce. At the same time, crude oil prices reached their highest level of 2016 after new data showed an increase in demand for gasoline, while U.S. inventories fell by 1.1 million barrels rather than growing by 2.4 million barrels as analysts expected.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,003.75	17,773.64	-230.11	-1.28%	2.00%
Nasdaq	4,906.23	4,775.36	-130.87	-2.67%	-4.63%
S&P 500	2,091.58	2,065.30	-26.28	-1.26%	1.05%
Russell 2000	1,146.69	1,130.84	-15.85	-1.38%	-0.44%

## DAILY DEVELOPMENTS

### MONDAY

The Commerce Department announced on Monday that sales of new homes fell 1.5% in March to a seasonally adjusted annual rate of 511,000. Sales in the West region were especially hard hit, falling by 23.6. However, sales are still running slightly ahead of last year's pace, although an increase in the number of unsold newly constructed homes is growing, suggesting that demand for new housing could be lower than many builders anticipated. The median selling price fell to \$288,000, as compared to \$293,400 for the same month last year.

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*TUESDAY*

The Commerce Department reported Tuesday that orders for durable goods increased 0.8% in March, rebounding from a 3.1% decline in February. However, if defense spending were excluded, the sale of goods intended to last a year or more would have fallen 1% last month. Bookings for non-defense capital goods excluding aircraft -- a category that serves as a proxy for business investment plans -- was unchanged following a 2.7% decline in February. Companies placed fewer orders for fabricated metals, computers and electrical equipment.

The Consumer Confidence Index fell by 1.9 points in April to 94.2, according to The Conference Board. The number of consumers who believed jobs were "plentiful" declined, while fewer of the survey participants said employment was "hard to get".

The S&P/Case-Shiller 20-City Composite Home Price Index rose 5.4 percent in February, just below expectations for a 5.5 percent increase.

*WEDNESDAY*

The Federal Reserve's Open Market Committee left interest rates unchanged at its latest meeting but signaled that there's a good chance that higher interest rates could be raised after the Committee's June meeting. The Committee cut the phrase found in past post-meeting statements that "global economic and financial developments continue to pose risks" which suggests that higher interest rates are on the horizon. However, most analysts predict that the next rate hike will be just 0.25%.

The National Association of Realtors' pending home sales index rose to 1.4% in March to close at 110.5, the group said Wednesday. The index forecasts future sales by tracking real estate transactions in which a contract has been signed, but the deal has not yet closed.

*THURSDAY*

Initial claims for state unemployment benefits increased 9,000 to a seasonally adjusted 257,000 for the week ended April 23<sup>rd</sup>, the Labor Department said on Thursday. However, the four week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, fell 4,750 to 256,000 last week, the lowest since December 1973. Moreover, the number of people still receiving benefits after an initial week of aid decreased 5,000 to 2.13 million in the week ended April 16<sup>th</sup>, the lowest since November 2000.

Also on Thursday the Commerce Department announced America's GDP grew at an annual rate of just 0.5 percent in first quarter of 2016. That is the slowest rate of growth since GDP contracted by 0.9 percent in the first three months of 2014. Consumer spending grew at a 1.9 percent rate in the first quarter while business investment dropped by 5.9%, brought on by an 86 percent plunge in the category that covers oil and gas exploration.

#### *FRIDAY*

Personal income increased 0.4 percent in March, with wages and salaries rising a solid 0.4 percent. Consumer spending only increased 0.1 percent, pulled down by weak auto sales. Non-durable spending for the first quarter was weak, although it was held down by low gasoline prices which is actually a positive for the consumer.

The Chicago Purchasing Manager's Index missed expectations, falling to 50.4 in April from 53.6 in March. Both new orders and backlogs saw very weak growth. This points to potential weakness in production and employment numbers in the coming months.

The final reading for consumer sentiment for the month of April dropped to 89.0 from mid-month's 90.4. The expectations component was a drag, falling four points to 77.6, and indicating lack of confidence in the income and jobs outlook. Long term inflation expectations also softened with the five year reading falling two tenths to 2.5 percent.

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#### **TIDBITS**

Congress has passed a bill to strengthen protections for U.S. firms' intellectual property, including trade secrets, computer methods and manufacturing processes. The White House has signaled that President Obama will sign the bill.

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#### **QUOTE OF THE WEEK**

"We always live in an uncertain world. What is certain is that the United States will go forward over time."

- Warren Buffet, whose Berkshire Hathaway is holding its annual shareholder meeting this weekend

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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](mailto: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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