

The Market Week in Review

For Week Ending December 17, 2016

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THE MARKETS

After moving to all-time highs, stocks retreated last week a bit with only the Dow, led higher by heavyweight Apple Inc., settled the week in positive territory. Friday also marked the final equity options expiration for 2016, a market event that tends to cause volatility. Bond yields have now moved higher (and bond prices have moved lower) every week since the election, with the benchmark 10 Year Note now at 2.6%. Gold moved lower for another week as the dollar continued its pressure on precious metals. The crude oil rally, on the other hand, continued in response to OPEC's production cuts that will be beginning in January.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	19,756.85	19,843.41	86.56	0.44%	13.88%
Nasdaq	5,444.50	5,437.16	-7.34	-0.13%	8.58%
S&P 500	2,259.53	2,258.07	-1.46	-0.06%	10.48%
Russell 2000	1,388.07	1,364.19	-23.88	-1.72%	20.10%

DAILY DEVELOPMENTS

MONDAY

The U.S. budget deficit grew to \$136.7 billion for the month of November. For the first two months of the government's 2017 fiscal year the deficit totaled \$180.8 billion which is down about \$20 billion from the first two months of the 2016 fiscal year.

TUESDAY

The Labor Department announced Wednesday that import prices fell by 0.3% in November, as the strength of the U.S. dollar is holding down the prices for the imports coming into the U.S. Last month's drop was the biggest since February and followed two straight months of increases. The large majority of this decline was attributable to a 4.7% decrease in imported petroleum. Meanwhile, export prices were relatively flat with a 0.1% decrease for the month and down 0.3% year over year, the best reading in 2-1/2 years. Agricultural prices rose 0.6%, but year over year agricultural prices are down 1.2%.

WEDNESDAY

The Federal Reserve announced Wednesday it increased its Fed Funds target rate 0.25% to a range of between 0.5% and 0.75%, responding to a growing economy and a strengthening labor market. The increase is just the second since the 2008 financial crisis but the central bank has signaled that the pace will pick up in 2017. "My colleagues and I are recognizing the considerable progress the economy has made," cited Fed Chair Janet Yellen in prepared remarks after the announcement. The decision was taken by a unanimous vote of the 10 members of the FOMC, the first time in recent months the Fed has acted by consensus.

Retail sales rose just 0.1% in November, according to data released by the Commerce Department's Census Bureau. The increase was shy of expectations of a four tenth boost. Further muting the announcement was a two tenth decreased revision to the October figure, which now stands at 0.6%. Restaurants made their best gain since February, rising 0.8% and pointing to consumer strength. The same goes for the home furnishing component, which rose 0.7%.

Producer prices rose more than expected in November as demand clearly picked up, leading to the 0.4% gain. The Bureau of Labor Statistics report showed that food offset falling energy prices, and the core reading which strips out both metrics also gained 0.4%. Year over year, the core reading is up 1.6% while the headline number stands at a 1.3% increase.

Industrial production fell 0.4% in November, according to the Federal Reserve's Index, pulled down mostly by warm weather which hampered utility output to a decline of 4.4%. Mining output rose sharply, up 1.1% after a 1.9% gain in October. After five months of gains, motor vehicle output fell 2.3%, hurt mainly by declines in light truck assembly.

THURSDAY

The Labor Department reported on Thursday that initial jobless claims fell 4,000 to 254,000 for the week ended December 12th. While levels remain historically low, the four week average moved slightly higher by 5,250 to 257,750. Continuing claims, which lag a week, rose 11,000 to 2.02 million with the four week average up 9,000 to 2.04 million.

Consumer prices rose 0.2% in November, according to the Bureau of Labor Statistics. The one year figure now stands at a 1.7% advance. Food prices were unchanged, but energy prices rebounded sharply, and the core reading, which strips out both components was also up 0.2%.

FRIDAY

The Census Bureau reported that housing starts in November came in at a 1.09 million unit annualized rate, which was well under expectations. However, October's previously strong showing was revised over 27% higher. The report's soft spot was the year over year numbers for starts and permits, which have both been trending lower and are in negative territory falling 6.9% and 6.6%, respectively.

TIDBITS

The U.S. Dollar Index, which follows the greenback against a basket of six other major currencies, rose to 103.20 on Friday – just shy of a 14 year high.

QUOTE OF THE WEEK

“I think everybody should get rich and famous and do everything they ever dreamed of so they can see that it's not the answer.”

- Jim Carrey

We 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 Week in Review please email us at firm@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call us at the number listed below.

Best regards,

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