

The Market Week in Review

For Week Ending February 27, 2016

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THE MARKETS

After the S&P began the week exactly 10 percent below its all-time high, positive economic data reports pushed stocks to their highest levels since the first week of January. Oil prices also moved slightly higher to close the week above \$33 a barrel. Interest rates bounced up and down before closing flat at 1.76 percent on the 10 Year Treasury. Gold also closed the week nearly flat at \$1,225 an ounce while the dollar strengthened subtly against a basket of other currencies.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,391.99	16,639.97	247.98	1.51%	-4.51%
Nasdaq	4,504.43	4,590.47	86.04	1.91%	-8.33%
S&P 500	1,917.78	1,948.05	30.27	1.58%	-4.69%
Russell 2000	1,010.01	1,037.18	27.17	2.69%	-8.69%

DAILY DEVELOPMENTS

MONDAY

The Purchasing Managers' Manufacturing Index from Markit fell to 51.0, its lowest level since September 2009 but remained just barely above a reading of 50 that is associated with expansion. The index had a reading of 52.4 in January. Manufacturing output fell for the third time in the past four months, while export sales were down the most since April last year.

TUESDAY

Existing home sales rose 0.4 percent in January after surging in December. The annualized rate of sales is 5.47 million units and growth is trending 11 percent higher than a year ago. The all-important single-family component rose 1.0 percent in January and is now 11.2 percent higher than a year ago.

WEDNESDAY

In stark contrast to Tuesday's housing report, sales of new homes fell 9.2 percent in January to a lower than expected annualized rate of 494,000. A downturn in the western region, which is a key component of the new home market, fell 32 percent which pulled down the headline number. Median sales prices fell 5.7 percent to \$278,000 which is a decline of 4.5 percent from a year ago.

THURSDAY

New orders for durable goods increased by more than double what had been expected in January. The increase of 4.9 percent was boosted by aircraft orders, but climbed 1.8 percent without the benefit of the transportation sector. Another positive in the report was a decrease in inventory, which combined with increased shipments caused the inventory-to-shipments ratio to decline by 0.03 points to a lean reading of just 1.64.

Initial jobless claims for the week of February 20th rose by 10,000 to 272,000, matching the four week average. Continuing claims for the week prior fell by 19,000 to 2.25 million, which again is the same level of the four week average. There were no special factors in the report – one which points to an optimistic employment report for the month of February.

FRIDAY

The second estimate of GDP for the fourth quarter of 2015 came in much higher than expected at an annualized rate of 1.0 percent. The bump was caused largely by an upward revision to inventory growth, although it is not yet clear if that will be a positive going forward as those inventories may be unwanted. Personal consumption dropped to an annualized 2.0 percent from 2.2 percent. Residential investment, on the other hand, rose at an 8.0 percent rate.

Personal income and consumer spending both rose 0.5 percent in January. Both readings were higher than expected and point to underlying strength on the labor front. Vehicle sales led a jump in the durable purchases of 1.2 percent. Inflation rose to 1.7 percent from 1.4 percent and is now closing in on the Fed's target level.

Consumer sentiment rose one point to 91.7 in February, according to the University of Michigan's survey of 500 American households. Both the current conditions and expectations components were little changed at 106.8 and 81.9, respectively. One year inflation expectations held at 2.5 percent, while the five year number registered the same after falling two tenths.

TIDBITS

In a recently released report the International Energy Agency predicted that growing oil stocks will continue to put downward pressure on petroleum prices this year and beyond. "Only in 2017 will we finally see oil supply and demand aligned but the enormous stocks being accumulated will act as a dampener on the pace of recovery in oil prices when the market, having balanced, then starts to draw down those stocks," the report said.

QUOTE OF THE WEEK

"Success is simple. Do what's right, the right way, at the right time."
- Arnold Glasgow

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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