

The Market Week in Review

For Week Ending January 16, 2016

THE MARKETS

The second trading week of 2016 was history in the making as both the Dow and the S&P slumped in their worst start to a year ever. Oil prices that continued to plummet seem to be the foundation of the broader markets' perils. Brent crude oil, the international benchmark, touched a 12 year low and is now trading lower than U.S. benchmark crude, which itself broke below \$30 a barrel this week. With the bulk of the earnings season about to kickoff, corporate buybacks are currently in a blackout period which extinguished a large number of buyers in the marketplace. Amongst the volatility in equities, the buying of safe haven bonds caused interest rates to move significantly lower than they were before the Fed raised rates in December. 10 Year Treasury Notes closed the week yielding just 2.03 percent. Gold retreated to \$1,088 an ounce after it rallied as high as \$1,113 last week.

| Index | Started Week | Ended Week | Change | % Change | YTD % |
|--------------|--------------|------------|---------|----------|---------|
| DJIA | 16,346.45 | 15,988.08 | -358.37 | -2.19% | -8.25% |
| Nasdaq | 4,643.63 | 4,488.42 | -155.21 | -3.34% | -10.36% |
| S&P 500 | 1,922.03 | 1,880.33 | -41.70 | -2.17% | -8.00% |
| Russell 2000 | 1,046.20 | 1,007.72 | -38.48 | -3.68% | -11.28% |

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The Labor Department said Tuesday that the number of job postings rose 1.5 percent to a seasonally adjusted 5.4 million. While that's slightly lower than the record 5.7 million of job openings reported in July, it is still 11 percent higher than November 2014. Overall hiring picked up 3.4 percent to 5.2 million from a year ago, while the number of people quitting their jobs, considered a positive sign of worker confidence, rose 6.3 percent over the past year to 2.83 million.

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WEDNESDAY

Demand was high at the auction for 10-Year Treasury Notes which sold for a yield of 2.09 percent. This helped drive Treasury prices even higher as equities experienced another heavy selloff on the heels of volatile swings in the oil futures market. At the end of the trading session, stocks logged their worst day in three months, reclaiming the lows seen last September and entering into correction territory 10 percent below their recent highs.

The Fed's Beige Book described growth in consumer spending as no better than slight to moderate as holiday spending was marked by light apparel sales caused largely by unseasonably warm winter weather. Price pressures were also described as minimal with wages flat to moderate. Both commercial and residential real estate, on the contrary, saw strength with prices showing moderate gains.

THURSDAY

Initial jobless claims jumped to 284,000 last week, which was higher than the 275,000 estimated by economists. No special factors contributed to the increase, although seasonal adjustments at the turn of the calendar year can be a cause of volatility. Continuing claims, which lag a week, rose 29,000 to 2.26 million – the highest level since last August. The four week average also rose by 5,000 to 2.22 million.

FRIDAY

Producer prices for final demand fell 0.2 percent in December and are down 1 percent from a year ago. Energy prices fell 3.4 percent as the price of gasoline came down. Excluding volatile food and energy, prices managed to climb 0.1 percent during the month. For the year outside of food and energy, prices rose 0.3 percent.

Retail sales disappointed in December, falling 0.1 percent. The number wasn't a great surprise considering that on Wednesday the Fed's Beige Book indicated weak apparel sales. Pointing to positives in the report, were that strong gains were seen for restaurants and home furnishings which were up 0.8 and 0.9 percent, respectively. The November figure was also revised higher to an increase of 0.4 percent from 0.2 percent.

Industrial production fell 0.4 percent in December, reflecting utility output that fell 2.0 percent on the heels of unseasonably warm winter weather. Vehicle production fell 1.7 percent, the second consecutive month of contraction. Capacity utilization is also running four percent below its long term average, a factor keeping the cost of goods down.

TIDBITS

The circuit breaker on Chinese markets that had halted trading twice during the first week of the month were removed, drawing praise from some market watchers as giving market forces a chance to do their needed work.

QUOTE OF THE WEEK

“The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather in a lack of will.”
- Legendary Packers coach Vince Lombardi.

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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