

The Market Week in Review

For Week Ending January 9, 2016

THE MARKETS

Stocks stumbled into the new year with the Dow registering its worst first trading week in its history. The dismal start to the year comes as investors worry that China's economy is slowing down. Despite the relatively healthy domestic economy, U.S. stocks are feeling the brunt of the slowdown abroad. Interestingly, some of the largest losses went to the big banks, which recently raised their prime lending rates while keeping interest payments on deposits low – something that will ultimately help their bottom line. Oil also continued to decline to \$33 a barrel. Gold finally bucked its downward trend and rose 4 percent for the week amongst the volatility, although the precious metal is still trading near six year lows.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,425.03	16,346.45	-1,078.58	-6.19%	-6.19%
Nasdaq	5,007.41	4,643.63	-363.78	-7.26%	-7.26%
S&P 500	2,043.94	1,922.03	-121.91	-5.96%	-5.96%
Russell 2000	1,135.89	1,046.20	-89.69	-7.90%	-7.90%

DAILY DEVELOPMENTS

MONDAY

The Institute for Supply Management said Monday that its index of factory activity fell to 48.2 from 48.6 in November. Any reading under 50 signals contraction. That's the largest one month decline in more than six years as factories cut jobs and new orders shrank. The decline hit 10 of the 18 industries the institute surveys. However, the index remains well above the 43.1 level that demarks a recession. In addition, new orders rose 3 percentage points.

In a separate report, the Commerce Department said U.S. construction spending sank 0.4% in November to a seasonally adjusted annual rate of \$1.12 trillion, the first drop since June 2014. However, spending in November was 10.5% higher

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compared to a year ago. In addition construction data from January 2005 through October 2015 was adjusted as a result of a "processing error in the tabulation of data." The revisions indicated construction spending was not as strong as previously reported for much of 2015.

TUESDAY

U.S. auto sales hit a record high of 17.47 million in 2015, topping the old record of 17.35 million set in 2000. It was also the best December in history for the U.S. auto industry, with sales of 1.6 million cars and trucks. General Motors led all automakers in the U.S. last year, with sales up 5 percent to just over 3 million cars and trucks. SUVs became the largest segment of the market, at 14 percent. Analysts expect sales could go even higher this year as unemployment continues to decline and more young buyers enter the market.

The headline Caixin China General Services PMI (which covers both manufacturing and services) fell 1 point in December to 49.4, its lowest point in 17 months. The index is now below the neutral value of 50.0.

WEDNESDAY

The Commerce Department said on Wednesday the U.S. deficit fell 5.0 percent to \$42.4 billion. October's trade deficit was revised up to \$44.6 billion from the previously reported \$43.9 billion. Imports of goods dropped 2.0 percent to \$183.5 billion in November, the lowest level since February 2011. Goods exports slipped 1.1 percent to \$122.2 billion in November, the lowest since June 2011.

The minutes of the Federal Reserve's December 15th-16th meeting were released on Wednesday. They indicated that while Federal Reserve chairwoman Janet L. Yellen succeeded at obtaining a strong consensus for the decision to raise the benchmark interest rate last month, some Committee members are concerned the economy may not be strong enough and the inflation rate may be too low for the Fed to raise rates as quickly as it would like.

THURSDAY

The Labor Department's weekly report on jobless claims revealed that new applications for unemployment benefits declined once again last week, suggesting the U.S. labor market is healthy. Jobless claims dropped by 10,000 to 277,000 in the week ended January 2nd. The four week moving average, a less volatile measure than the weekly claims numbers, decreased to 275,750 last week from 277,000. Claims have been below the 300,000 level that economists say is typically consistent with an improving job market. Meanwhile, the number of people continuing to receive jobless benefits rose by 25,000 to 2.23 million in the week ended December 26th.

FRIDAY

More good news on the labor market came from the Labor Department's monthly jobs report, which was issued on Friday. That report revealed that employers added 292,000 workers to their payrolls in December. In total, the economy added 2.65 million jobs in 2015, capping a two year gain that was the best since the late 1990s. The unemployment rate held fast in December at 5%, as the increase in new hiring was offset by an increase in the number of people looking for work. Unfortunately, wage growth remained sluggish, with wages remaining flat in December.

TIDBITS

Late Thursday afternoon, the Chinese central bank said its foreign-exchange reserves had dropped by \$108 billion in December, to \$3.33 trillion, amid heavy intervention to break the fall of the renminbi. While China's reserves still dwarf those of every other country, the drop in reserves was much larger than economists had expected.

QUOTE OF THE WEEK

"It is not enough to be busy, so are the ants. The question is: What are we busy about?"
- Henry David Thoreau

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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