

The Market Week in Review

For Week Ending July 2, 2016

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THE MARKETS

Stocks easily logged their best week of the year with the Brexit selling abating after Monday's session to lead the way to four straight days of strong gains. Once again the S&P is only about 1 percent off its all-time high set in May 2015. In what could be a continued influx of foreign dollars into U.S. assets, bonds, stocks, precious metals, and oil all saw their prices bid higher. This was somewhat unusual as those asset classes typically don't exhibit such a high degree of correlation. Treasury yields are again testing the lows made back during the European debt crisis of 2012 and the 10 Year Note now yields only 1.45 percent. The British pound had another substantial slide on Thursday after the Bank of England Governor, Mark Carney, suggested monetary easing will likely be necessary this summer. The pound ended the week trading at 1.32 versus the U.S. dollar.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,399.86	17,949.37	549.51	3.16%	3.01%
Nasdaq	4,707.98	4,862.57	154.59	3.28%	-2.89%
S&P 500	2,037.30	2,102.95	65.65	3.22%	2.89%
Russell 2000	1,127.54	1,156.77	29.23	2.59%	1.84%

DAILY DEVELOPMENTS

MONDAY

The U.S. advance estimate of goods trade totaled a wider-than-expected deficit of \$60.59 billion in May. Exports were down by 0.2 percent, after a decline in exports of cars and auto-related products and from weaker exports of capital goods, while imports were up by 1.6 percent.

TUESDAY

America's gross domestic product grew at an annual rate of 1.1 percent in the first quarter of 2016, an improvement from the Commerce Department's original estimate of 0.8 percent rate released last month. The improvement resulted from better export sales and greater business investment than originally thought.

The S&P/Case-Shiller Home Price Index for the U.S. rose 5 percent in the 12 months ended in April. This marks the sixth consecutive month where home prices rose by 5 percent or more. The 10-city index gained 4.7 percent from a year earlier compared with 4.8 percent last month, and the 20-city index gained 5.4 percent year-over-year, compared with 5.5 percent in March.

The Conference Board released the results from its June Consumer Confidence survey. The index rose from 92.4 in May to 93.7 last month. The number of consumers that thought business conditions were good rose from 26.1 percent in May to 26.9 percent in June, while only 17.7 percent felt business conditions were bad in June, down from 21.4 percent, according to the survey.

WEDNESDAY

On Wednesday, the Commerce Department reported that consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased 0.4 percent in May. Consumer spending in April was revised higher as well, to a growth rate of 1.1 percent as compared to the previously reported 1.0 percent, suggesting a possible acceleration in economic growth in the second quarter.

Also on Wednesday, the National Association of Realtors' announced its pending home sales index, which tracks contract signings for purchases of previously owned homes, decreased 3.7% in May from the prior month. The index, which rose sharply in April, was down 0.2% last month compared with May 2015, its first annual decline since August 2014. Lawrence Yun, the NAR's chief economist, also pointed to tight inventory and fast-rising prices as mounting problems for the housing sector.

THURSDAY

Initial claims for state unemployment benefits increased 10,000 to a seasonally adjusted 268,000 for the week ended June 25th, the Labor Department said on Thursday. The four week moving average of claims was unchanged at 266,750 last week. The number of people still receiving benefits after an initial week of aid fell 20,000 to 2.12 million in the week ended June 18th. The four week average of the so-called continuing claims dropped 13,000 to 2.13 million, the lowest level since November 2000.

FRIDAY

The final PMI Manufacturing Index for June is down 1 tenth from the mid-month reading to a 51.3 level that points to modest growth for the sector. June saw a pickup in new orders and a two year high in export growth. Production and employment were both up as well.

The Institute for Supply Manager's Manufacturing Index jumped significantly in June to 53.2 from 51.3 the prior month. This is the best reading since February 2015 and new orders were particularly strong at 57.0. Exports were also strong at 53.5, but the employment component was flat.

Construction spending disappointed in May, falling 0.8 percent versus an expected increase of 0.6 percent. The April number was also revised lower to -2.0 percent from -1.8 percent. Spending on single family homes fell 1.3 percent while multi-family homes rose 1.8 percent for a 23.9 percent annual increase.

TIDBITS

Government bonds throughout the world rose in value by 2.3% in June, their strongest advance since December 2008, according to index data from Bank of America.

QUOTE OF THE WEEK

Well, you can only control what you can control. I think whatever your view of the world is, you have to invest. You can't put the money in the mattress and in this day and age of low interest rates, you can't put it in the money market fund or a bank CD, so invest, you must.

- Vanguard Founder and retired CEO Jack Bogle

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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