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ASSET MANAGEMENT

The Market Week in Review

For Week Ending July 30, 2016

THE MARKETS

Both the Dow and the S&P finished July with losses for the first time in five weeks, although equities closed the week within a whisker of their all-time highs. Strong earnings from Facebook, Google, and Amazon pushed the Nasdaq higher for the week, although that index is still the laggard for the year with just a three percent gain. Even with the dollar surrendered strength, crude oil continued its decline by dropping to nearly $40 a barrel before closing the week at $41.50. Treasury yields headed towards the low levels at which they began the month with the 10 Year Note ultimately closed at 1.46 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,570.85	18,432.24	-138.61	-0.75%	5.78%
Nasdaq	5,100.16	5,162.13	61.97	1.22%	3.09%
S&P 500	2,175.03	2,173.60	-1.43	-0.07%	6.34%
Russell 2000	1,212.89	1,219.94	7.05	0.58%	7.40%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

New home sales rose to a greater than expected 592,000 annualized rate, led by strength in the Midwest region which is up 44 percent from a year ago. In another bright spot in the report, the median sales price rose 6.2 percent to $306,700. The only real negative is supply, which rose by just 3,000 to 244,000 units for 4.9 months of inventory at the current sales rate.

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WEDNESDAY

Durable goods orders were very weak during June, falling 4.0 percent and missing the consensus estimate of negative 1.3 percent by a wide margin. Stripping out the volatile food and energy components the reading was still soft, rising only 0.2 percent. Civilian aircraft orders (which are highly volatile) fell almost 60 percent for the month. However, a highlight for the transportation component was automobiles, which rose a solid 2.6 percent.

The Federal Open Market Committee ended its two day meeting on Wednesday without changing its interest rate policy. Of the ten Committee members, only Fed Governor Esther George of Kansas City voted for a rate hike. The report indicated members described the labor market as having "strengthened" while household spending is "growing strongly".

THURSDAY

The nation's trade deficit increased to negative $63.3 billion in June. Although exports rose 0.9 percent, imports increased by nearly twice as much. Exports were led by gains in foods, consumer goods, and capital goods. While the growing deficit will likely soften third quarter GDP estimates the increase in consumer goods imports suggests business confidence in the consumer is on the rise.

Initial jobless claims jumped 14,000 to 266,000 for the week of July 23rd, though the four week average dropped slightly by 1,000 to 265,500. Continuing claims also rose by 7,000 during the July 16th week to 2.14 million. Here too, the four week average dropped 7,000 to 2.14 million. There were no special factors in the report, although the usual summer re-tooling in the automotive industry has yet to affect these numbers.

FRIDAY

The Commerce Department reported that the nation's GDP in the second quarter registered just 1.2 percent. To make matters worse, first quarter GDP was revised three tenths lower to 0.8 percent. Consumer spending was strong, growing at a 4.2 percent rate. A decline in inventories could be a good sign as businesses may need to restock them in the months ahead, although that metric negatively affected the headline number.

The University of Michigan's Consumer Sentiment survey for the month of July softened to 90.0 from June's 93.5. The expectations component was lead to the decline, falling 4.6 points to 77.8. Current conditions remain solid at 109.0, albeit 1.8 points lower than last month's reading.

TIDBITS

Foreign investors poured $41.1 billion into U.S. investments in May. Most of the money coming into the U.S. was invested in Treasuries and other bonds as opposed to stocks. While the yield of around 1.5% on a ten-year Treasury is near historical lows, it's still much better than the negative yields being charged on European debt.

QUOTE OF THE WEEK

"If little kids don't aspire to make money like I did, what the hell good is this country?"
- Lee Iacocca, former Chrysler CEO

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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