

The Market Week in Review

For Week Ending June 18, 2016

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THE MARKETS

Stocks lost ground across the board as fears of a “Brexit” grew and the Fed held interest rates steady while lowering their economic growth forecast for the remainder of 2016. The Bank of Japan also made no change to that country’s monetary policy after a two day meeting during the week. Meanwhile, the United Kingdom’s stock market ended a choppy week on a healthy note after touching a four month low as traders nervously shuffled their positions before the European Union referendum next week. Unusually low volumes on the major domestic stock exchanges gave many floor traders an uneasy feeling as the markets slowly churned lower. The dollar also softened, lending a tailwind to many commodity prices.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,865.34	17,675.16	-190.18	-1.06%	1.44%
Nasdaq	4,894.55	4,800.34	-94.21	-1.92%	-4.14%
S&P 500	2,096.07	2,071.22	-24.85	-1.19%	1.33%
Russell 2000	1,163.93	1,144.70	-19.23	-1.65%	0.78%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The Commerce Department reported on Tuesday that retail sales increased 0.5 percent in May after an unrevised 1.3 percent in April. So called “core retail sales”, which excludes automobiles, gasoline, building materials and food services, rose 0.4 percent last month after an upwardly revised 1.0 percent increase in April. Consumers bought more cars, despite paying more for gasoline. The increase in retail sales led to the Federal Reserve Bank of Atlanta increasing its forecast for second quarter GDP growth to 2.8%.

Also on Tuesday the Labor Department said import prices increased 1.4 percent in April, the largest rise since March 2012. Import prices rose 0.7 percent in April. Import prices fell 5.0 percent on a year over year basis, the smallest decline since November 2014.

WEDNESDAY

The Federal Reserve’s Open Market Committee decided once again not to raise interest rates Wednesday at the end of its meeting. The decision was in line with expectations after a brutal May jobs report. The Fed cut its forecast for U.S. economic growth in 2016 to 2%, down from 2.2% earlier.

Separately, the Federal Reserve’s report on industrial output in the U.S. during May was also released Wednesday. It indicated that industrial output dropped 0.4 percent from April. Manufacturing declined 0.4 percent last month, as motor vehicle production fell by 4.4 percent. Mining production rose 0.2 percent, helped by a rebound in coal. Utilities slipped 1 percent.

On a more positive note, the Institute for Supply Management manufacturing index rose to 51.3 in May from 50.8 in April. Any ISM reading above 50 signals growth. In addition, the Empire State manufacturing index released Wednesday by the New York Fed showed factory activity expanding in June in that region of the country.

Lastly, the Labor Department said Wednesday that its producer price index, which measures inflation pressures before they reach the consumer, increased 0.4 percent in May after a 0.2 percent rise in April. It was the biggest gain since a similar 0.4 percent increase in January. Core inflation, which excludes energy and food, was up 0.3 percent in May.

THURSDAY

The Consumer Price Index rose 0.2 percent in May, missing the expected increase of 0.3 percent. Core prices, which exclude food and energy, also rose 0.2 percent. The one year increase registered 1.0 percent, with the core at 2.2 percent. Housing costs also rose 0.3 percent for a one year increase of 2.4 percent. At the top of the list, however, is the cost of medical care, which rose 0.3 percent in May for a one year increase of 3.2 percent.

The Philadelphia Federal Reserve's General Business Conditions Index for the month of June came in at 4.7, well above the 0.8 consensus. However, this index measures sentiment based off of a single question, and it often doesn't correlate with broader details, which have been decidedly negative as of late. New orders, shipments, and employment were all negative, marking several months of contraction.

FRIDAY

Housing starts in the month of May were solid at a 1.6 million unit annualized rate and are up 9.5 percent over the past year. Permits, however, are down 10.1 percent from a year ago, even after rising 0.7 percent in May. Single-family starts rose 0.3 percent, although permits in that category softened by 2.0 percent. Multi-family units, contrarily, fell 1.2 percent for the month while permits are up 5.9 percent.

TIDBITS

Reinhold Hanning, an SS guard at Auschwitz from 1942 to 1944, was found guilty of being an accessory to the murder of at least 170,000 people. The 94-year-old was sentenced to five years in jail this week.

QUOTE OF THE WEEK

"History must repeat itself because we pay such little attention to it the first time.

- Blackie Sherrod

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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