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ASSET MANAGEMENT

The Market Week in Review

For Week Ending June 25, 2016

THE MARKETS

Before the UK's Thursday vote, equities were in rally-mode as market commentators nearly unanimously conveyed the idea that a Brexit was extremely unlikely. Britain's decision to actually leave the European Union for reclaimed sovereignty caught most market participants flatfooted. The unexpected outcome pushed stock prices lower worldwide, with global markets losing anywhere from three to twelve percent overnight. When the dust settled, the S&P 500 closed down 1.6 percent on the week, which isn't nearly as bad as some would have anticipated. Following yesterday's decline, the S&P 500 is sitting 4% below its May 2015 all-time high.

Monumental moves in the foreign currency markets whipsawed commodity prices as the dollar surged and the British pound fell to its lowest level since 1985. Both copper and crude oil prices sank as the potential for more economic fallout is considered. Meanwhile gold prices soared to a two year high with gold for August delivery settled up 4.7% at $1,322.40 a troy ounce on Friday.

So what will Brexit's long-term impact be? No one can answer that question with a high degree of certainty at the moment because there are just too many variables in play and the process will play out over many years. Over 1 million Britons have already signed an online petition asking for a new vote! There is, however, one thing you can be quite certain of: There will be no shortage of "experts" who are quite prepared to make bold predictions and offer advice on how to profit from Brexit. Our advice is to ignore the pundits who are offering short term advice and remain faithful to your long term plan.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,675.16	17,399.86	-275.30	-1.56%	-0.14%
Nasdaq	4,800.34	4,707.98	-92.36	-1.92%	-5.98%
S&P 500	2,071.22	2,037.30	-33.92	-1.64%	-0.32%
Russell 2000	1,144.70	1,127.54	-17.16	-1.50%	-0.74%

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DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The Johnson Redbook Sales Index released Tuesday showed national retail sales fell 1% during the first two weeks of June from the comparable period in May. Seasonally adjusted sales for the period rose 0.6% as compared to last year.

WEDNESDAY

The National Association of Realtors said on Wednesday existing home sales increased 1.8 percent to an annual rate of 5.53 million units last month, the highest level since February 2007. Nationwide, sales were up 4.5 percent from a year ago. Regionally, existing home sales rose by 4.1 percent in the Northeast, 4.6 percent in the South, and by 5.4 percent in the West. Bucking the trend, existing home sales in the Midwest tumbled 6.5 percent last month. The decline, however, followed large recent gains in that region.

THURSDAY

Initial claims for state unemployment benefits declined 18,000 to a seasonally adjusted 259,000 for the week ended June 18th, the Labor Department said on Thursday. Claims for the prior week were unrevised. The four week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, fell 2,250 to 267,000 last week. Initial claims have been below 300,000 (a threshold associated with a strong job market) for 68 straight weeks, the longest such streak since 1973.

In stark contrast to yesterday's generally upbeat report on sales of existing homes, the Commerce Department reported on Thursday that new home sales declined 6 percent last month to a seasonally adjusted rate of 551,000. In addition the original estimate of sales in April was lowered to 586,000. Even so, sales are 6.4 percent higher year-to-date.

FRIDAY

Durable goods orders disappointed, sinking 2.2 percent in May versus an expected decline of 0.7 percent. Excluding the volatile transportation component, orders slipped 0.3 percent. Capital goods orders, a proxy for business investment, dropped a disappointing 0.7 percent.

Consumer sentiment remained solid at 93.5 for the final June reading. The current conditions component registered 110.8 and points to what could be an increase in personal expenditures. Inflation expectations rose two tenths to 2.6 percent for the one-year figure and one tenth to the same 2.6 percent level for the five-year figure.

TIDBITS

The trustees who manage Social Security benefits are projecting that on average benefits will increase by just 0.2 percent next year. Last year beneficiaries received no increase. The amount of increase is tied to the rate of inflation. The trustees also estimate that Social Security's trust funds will be depleted in 2034, which is unchanged from a year ago.

QUOTE OF THE WEEK

"I don't want to send a message of pessimism about the economy and where we are going."
- Federal Reserve Chairwoman Janet Yellen in testimony to Congress this past week.

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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