

The Market Week in Review

For Week Ending June 4, 2016

Contact Us

- Our Website:
www.estatecounselors.com
- Our E-mail:
firm@estatecounselors.com
- Our Phone Number:
(262) 238-6996
- Our Address:
414 N. Main Street
Thiensville, WI 53092

THE MARKETS

Stuck in a seesaw on a holiday-abbreviated week, stocks held their ground near last year's all-time highs and the S&P rarely deviated very far from the 2,100 mark. Even the paltry jobs report on Friday couldn't force a sustained selloff in the equity markets and the S&P ultimately closed the week completely flat. \$50 a barrel has proven to be a short term ceiling for the price of U.S. crude oil, which fell modestly to \$48.79 to close the week despite a drawdown in inventories. There was arguably far more action in the fixed income markets as participants continued to attempt predicting a rate hike. The yield on the 10 Year Treasury Note fell 15 basis points to 1.70 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,873.22	17,807.06	-66.16	-0.37%	2.19%
Nasdaq	4,933.50	4,942.52	9.02	0.18%	-1.30%
S&P 500	2,099.06	2,099.13	0.07	0.00%	2.70%
Russell 2000	1,150.45	1,164.13	13.68	1.19%	2.49%

DAILY DEVELOPMENTS

MONDAY

The markets were closed Monday in observance of the Memorial Day holiday.

TUESDAY

Consumer spending rose 1 percent last month, which amounts to the largest increase in 6 years, the Commerce Department announced Tuesday. The largest increase was registered in spending on durable goods such as autos, which jumped by 2.3%. Spending on nondurable goods, such as clothing and food, rose

by 1.4 percent, while spending on services such as rent payments and utility bills increased 0.6 percent. Incomes were up a solid 0.4 percent, with wages and salaries increasing by 0.5 percent. However the saving rate fell to 5.4 percent in April, down from 5.9 percent in March.

The Conference Board reported Tuesday that its May confidence index fell to a reading of 92.6 from 94.7 in April. This stood in contrast to the University of Michigan's consumer sentiment survey, which rose in May to its highest reading in a year.

WEDNESDAY

The Institute for Supply Management's manufacturing index rose to 50.8 in May, its third straight monthly increase. Readings over 50% indicate more companies are expanding as compared to shrinking. However, the very slow rate of growth suggests the sector will continue to struggle, at least in the short term. The ISM's new-orders index fell a tick to 50.7%, while production slipped 1.6 points to 52.6%.

Also on Wednesday, the Commerce Department said U.S. construction spending fell by 1.8% in April which amounts to the biggest amount in five years. Spending was dragged down by declines in housing, commercial construction, and spending on government projects. More specifically, spending on housing fell 1.5 percent, nonresidential building was down 1.5 percent, and spending on government projects declined 2.8 percent.

THURSDAY

ADP's May employment report for private payrolls showed an estimated 173,000 jobs were created in May, just shy of the 175,000 consensus estimate. May is generally not a strong month for jobs, but this report shows the labor market is steady.

Initial jobless claims for the week of May 28th met the consensus of 267,000. The four week average dropped 1,750 to a 276,750 level, although that figure is 20,000 higher than the month-ago comparison. In one week lagging data, continuing claims rose 12,000 to 2.17 million with the four week average also moving higher by 12,000 to 2.16 million.

FRIDAY

In stark contrast to Thursday's ADP report, nonfarm payrolls in May were a big miss, increasing by only 38,000 versus the consensus estimate of 158,000. This made for the worst monthly jobs report since September 2010. The prior two months were also revised lower by a total of 59,000. The labor force also shrank by two tenths to 62.6 percent, which drove down the unemployment rate by three tenths to 4.7 percent.

The nation's trade deficit narrowed to \$37.4 billion in April, helped by strength in exports which rose 1.5 percent. Imports rose 2.1 percent, led by capital goods from business investments. The narrowing gap is a positive sign for the outlook of second quarter GDP.

The Institute for Supply Management's non-manufacturing index for the month of May fell to 52.9 from 55.7 the prior month. The weakness was led by the employment index which dropped 3.3 points to a contractionary 49.7 level. However, although new orders fell 5.7 points, they are still well into expansionary territory at 54.2.

TIDBITS

Almost 20 percent of Americans 65 and older are now working, according to the latest data from the U.S. Bureau of Labor Statistics. That's the largest number of older people with a job since the early 1960s, before the U.S. enacted Medicare.

QUOTE OF THE WEEK

"A bank is a place where they lend you an umbrella in fair weather and ask for it back again when it begins to rain."
- Robert Frost

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

Andrew J. Willms, J.D. LL.M.

Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
www.estatecounselors.com

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