ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending March 19, 2016

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THE MARKETS

The Dow and the S&P both crossed above the breakeven point for the year after a Fed-induced equity rally spurred the markets when Fed Chair Janet Yellen announced on Wednesday that its Open Market Committee reduced its interest rate hike outlook for the year. Benchmark interest rates dropped by 11 basis points to 1.87% as defined by the U.S. 10 Year Treasury Note. Crude oil surged notably to over $40 a barrel which also helped propel equities higher. As the U.S. dollar weakened, gold also rose, closing in on $1,300 an ounce – a level not reached for over a year.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,213.31	17,602.30	388.99	2.26%	1.02%
Nasdaq	4,748.47	4,795.65	47.18	0.99%	-4.23%
S&P 500	2,022.19	2,049.58	27.39	1.35%	0.28%
Russell 2000	1,087.56	1,101.67	14.11	1.30%	-3.01%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The U.S. Commerce Department reported Tuesday that consumers have cut spending for the second consecutive month, despite strengthening in the labor market. Retail sales declined 0.1% in February and January's sales were revised downward by 0.4%, rather than the previous estimated 0.2% increase. The lackluster pace of sales in the first two months could mean another tepid increase in gross domestic product in the first quarter. The economy expanded at a weak 1% annual clip in the fourth quarter and was projected to accelerate to a 2.3% rate in early 2016.

Also on Tuesday the Labor Department announced its Producer Price Index fell 0.2 percent in February after edging up 0.1 percent in January. On a year over year basis, the PPI was unchanged after falling 0.2 percent in January. It was the first time since January 2015 that the year on year PPI did not decline. The so-called core PPI, which excludes food, energy and trade services, was up 0.9 percent in the 12 months through February. That was the largest gain since July 2015 and followed a 0.8 percent increase in January.

The National Association of Home Builders/Wells Fargo Housing Market Index was unchanged in March at 58. Sentiment had been as high as 62 last October, but this month's reading is an improvement over March of 2015, when sentiment stood at 52.

WEDNESDAY
The Federal Reserve's Open Market Committee left interest rates unchanged at its most recent meeting and says future rate increases will come more slowly than originally planned. The central bank says it expects to raise rates twice this year rather than the 4 hikes it had anticipated earlier in the year, and has emphasized that the increases will remain gradual until "realized and expected economic conditions" improve. The Fed also has downgraded its outlook for economic growth this year to 2.2% from 2.4%.

New home construction in February climbed 5.2 percent to a 1.18 million annualized rate from a 1.12 million pace the prior month, a Commerce Department report showed Wednesday. Construction of single-family houses increased to an 822,000 rate, the most since November 2007, while multi-family homes, such as apartment buildings, rose to a 356,000 rate. However, building permits for new projects dropped 3.1 percent in February to a 1.17 million annualized rate after a 1.2 million pace the month before.

Also on Wednesday the Labor Department announced its consumer price index declined 0.2% last month after being unchanged in January. It was the third decline in six months. A 13% drop in gasoline prices more than offset other rising costs, including food, apparel and medical care. So-called core inflation, which backs out food and energy, increased 0.3% for the second straight month in February. For the 12 months ended February 29th, core prices increased 2.3 which is the largest 12 month gain since May 2012.

THURSDAY

The Labor Department announced Thursday that the number of initial claims for unemployment benefits increased by 7,000 to a seasonally adjusted 265,000 for the week ending on March 12th. The number of people seeking unemployment benefits for the first time remained below the 300,000 level that is associated with a strong labor market for the 54th straight week. That is the longest such streak since 1973. The four week moving average of claims for the March 12th week rose by 750 to 268,000, but is still near a four decade low.

More positive data on the state of the labor market came from the Labor Department's Job Openings and Labor Turnover Survey, or JOLTS. It indicated that the number of jobs waiting to be filled at the end of January increased by 260,000 to 5.54 million, from 5.28 million in the prior month. The number of unfilled jobs was the third highest since records began in 2000. The number of people hired fell to 5.03 million from 5.4 million the prior month while 2.8 million people quit their jobs in January, down from 3.09 million the prior month.

FRIDAY

Consumer sentiment registered 90.0 in the University of Michigan's mid-March survey. The number, while solid, missed the expected 92.2 level. Weakness was centered around the expectations component, which dropped 1.9 points to 80.0. Subdued confidence in the jobs and income outlook was also noted.

TIDBITS

Jeremy Siegel, finance professor at the Wharton School, reiterated his bullish outlook for the U.S. economy in the wake of the recovery in oil prices. Without the deflationary forces of sinking oil and another possible devaluation of China's currency, the outspoken professor remains confident the market can move higher.

QUOTE OF THE WEEK

"My choices in life were either to be a piano player in a whore house or a politician. And to tell the truth, there's hardly any difference."
- President Harry Truman

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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