ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending March 5, 2016

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THE MARKETS

The rally in stocks continued for a third week as the S&P closed a penny shy of 2,000 and the Dow made it back above 17,000. Oil may have been a reason behind the rally as it ran 11 percent higher to over $36 a barrel. Implied volatility levels, as measured by the VIX, dropped below average, but the short term historical volatility of the stock market remains in the 75th percentile - suggesting that further swings in stock prices could be on the way. Gold also climbed to a 13 month high, but there too were warnings of "peak gold" becoming a news headline. Treasury yields moved meaningfully higher to 1.88 percent, as measured by the 10 Year Note.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,639.97	17,006.77	366.80	2.20%	-2.40%
Nasdaq	4,590.47	4,717.02	126.55	2.76%	-5.80%
S&P 500	1,948.05	1,999.99	51.94	2.67%	-2.15%
Russell 2000	1,037.18	1,081.93	44.75	4.31%	-4.75%

DAILY DEVELOPMENTS

MONDAY

The National Association of Realtors announced Monday that its seasonally adjusted pending home sales index fell 2.5 percent to 106 in January, as a shortage of listings has weighed down sales. The decline comes after the sales index averaged 108.9 in 2015, its highest level since 2006. The index is now just 1.4 percent higher than it was in January of 2015.

The Chicago Purchasing Manager's Index fell 8 points to 47.6 in February. A reading below 50 suggests that economic activity in the Chicago region has slipped into contraction.

TUESDAY

Construction spending increased 1.5 percent to $1.14 trillion, the highest level since October 2007, as both private and public outlays rose, the Commerce Department said on Tuesday. That followed an upwardly revised 0.6 percent increase in December, previously reported as a 0.1 percent gain. Spending on private nonresidential construction rose 1.0 percent, while public construction outlays jumped 4.5 percent to their highest level since September 2010. Construction spending for private residential construction projects rose 0.5 percent.

The Institute for Supply Management (ISM) announced Tuesday that its index of national factory activity increased 1.3 percentage points to 49.5 last month, the highest reading since September. A reading below 50 indicates a contraction in manufacturing. While it was the fifth straight month the ISM index was below 50, it was also the second consecutive month that it has improved from the prior month.

WEDNESDAY

The second edition of the Federal Reserve's so called Beige Book 2016 was released Wednesday. It indicated that U.S. economic activity continued to expand in most districts from early January to late February but conditions varied considerably across regions and within different sectors of the economy. Consumer spending increased in the majority of districts, while manufacturing activity was flat as it continued to hurt from a strong dollar, weak demand from the energy sector and a deteriorating global outlook. Labor market conditions continued to improve but wage growth "varied considerably" across districts.

THURSDAY

The Institute for Supply Management said Thursday that its services index slipped to its lowest reading since February 2014. The index fell to 3.4 last month from 53.5 in January. The survey showed slower growth for new orders, but the pace of business improved. (Any reading above 50 signals that services firms are expanding.)

Also on Thursday the Labor Department said that worker productivity fell at an annual rate of 2.2 percent in the 4th quarter of 2015, as compared to the original estimate of -3.0 percent. Labor costs also rose at a rate of 3.3 percent, revised from an initial 4.5 percent estimate.

FRIDAY
The Labor Department indicated that nonfarm payrolls increased by 242,000 in February, surpassing the expected rise of 190,000. On another positive note, payrolls from the previous two months were revised higher by a total of 30,000. The unemployment rate held at 4.9 percent while average hourly wages dipped a tenth. The average work week also dipped two tenths to 34.4 hours.

The trade balance in January registered a wider than expected deficit of $45.7 billion with exports slipping 2.1 percent. Both exports and imports of capital goods were weak, which points to weak global investment. However, the nation ran a surplus of payments for services provided of $18 billion.

TIDBITS

The U.S. auto industry sold vehicles at an annualized rate of 17.5 million last month, a 6.9% increase compared with February 2015.

QUOTE OF THE WEEK

"If I'da known I was going to live so long, I'da taken better care of myself."
- Mark Twain

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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