

The Market Week in Review

For Week Ending May 21, 2016

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THE MARKETS

The equity markets were standing on shaky ground for most of the week as the release of minutes from the most recent FOMC meeting, which suggested a rate hike is possible next month, rattled the markets. However, the S&P managed a narrow gain for the first week in four. The Fed minutes caused bond yields to rise (and bond prices to fall), as the 10 Year Treasury Note spiked 15 basis points to 1.85 percent. The bullish interest rate forecast also saw the U.S. dollar log a third week of gains, which disrupted the recent rally in commodities. Still, crude oil managed to rise for a second week and ultimately settled at \$48.35 per barrel after nearly touching \$50 earlier in the week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,535.32	17,500.94	-34.38	-0.20%	0.44%
Nasdaq	4,717.68	4,769.56	51.88	1.10%	-4.75%
S&P 500	2,046.61	2,052.32	5.71	0.28%	0.41%
Russell 2000	1,102.44	1,112.28	9.84	0.89%	-2.08%

DAILY DEVELOPMENTS

MONDAY

The National Association of Home Builders announced Monday that its housing market index remained at 58 for May, the fourth straight month the index has been unchanged. A reading over 50 means most builders generally see conditions in the single-family housing market as positive. The index has been positive since mid-2014 and reached a post-recession high of 65 in October.

TUESDAY

On Tuesday the Labor Department said the Consumer Price Index increased 0.4 percent in April, the largest gain since February 2013, after rising 0.1 percent in March. The 12 month CPI increased to 1.1 percent from 0.9 percent in March. However core CPI, which strips out food and energy costs, rose 0.2 percent after climbing 0.1 percent. Core CPI increased 2.1 percent over the last 12 months.

Housing starts increased by 6.6 percent to a seasonally adjusted annual pace of 1.17 million units, the Commerce Department said on Tuesday. March's starts were revised to a 1.10 million-unit rate from the original estimate.

Also on Tuesday the Federal Reserve said U.S. industrial output rose by 0.7 percent last month, beating the consensus forecast of a 0.3 percent gain. Manufacturing output rose 0.3 percent in April. Production of long-lasting manufactured goods increased 0.6 percent while production of machinery increased output by 2.4 percent. Production of motor vehicles and auto parts increased 1.3 percent.

WEDNESDAY

The minutes from the Federal Reserve's April meeting suggested that the Federal Reserve remained open to a June interest-rate hike if the economy continues to improve. "Most participants judged that if incoming data were consistent with economic growth picking up in the second quarter, labor market conditions continuing to strengthen, and inflation making progress toward the Committee's 2% objective, then it likely would be appropriate for the Committee to increase the target range for the federal-funds rate in June". However, the minutes also indicated that some policymakers at the meeting were worried about a slowdown in U.S. economic growth during the first quarter, when gross domestic product expanded at an annual rate of 0.5 percent, a two-year low.

THURSDAY

The Labor Department said Thursday that initial jobless claims fell by 16,000 to 278,000 for the 7 day period ending on May 14th. The average of new claims over the past four weeks, a less volatile measure, rose by 7,500 to 275,750, while the number of Americans collecting unemployment benefits declined by 13,000 to 2.15 million in the week ended May 7th. Continuing claims are reported with a one week lag.

The Chicago Fed National Activity Index (CFNAI) was +0.10 in April, up from -0.55 in March. CFNAI is a weighted average of 85 monthly indicators designed to gauge overall economic activity and related inflationary pressure.

FRIDAY

The National Association of Realtors reported that existing home sales rose 1.7 percent in April to an annualized rate of 5.45 million units. This is a 6 percent increase from the same time last year. The median price also rose 5 percent to \$232,500, which is a 6.3 percent increase from last year. The Midwest region led the way, up 12.1 for both April and the past year.

TIDBITS

The Obama administration is proposing a rule that makes full-time employees earning up to \$47,476 a year eligible for overtime. The prior threshold was \$23,660.

QUOTE OF THE WEEK

“If all the economists in the world were laid end to end, they still wouldn’t reach a conclusion.”
- George Bernard Shaw

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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