

# The Market Week in Review

For Week Ending May 28, 2016

## THE MARKETS

Stocks rallied and the S&P 500 has once again found itself just 1.5 percent off its all-time high of 2,132 points, made almost exactly one year ago. U.S. crude oil made a second attempt in as many weeks at breaking above \$50 a barrel, this time with success, albeit brief, before falling shy of that level by 50 cents to close the week out. The dollar got a boost as more speculation of a Fed rate hike entered the marketplace (higher interest rates tend to be bullish for local currencies). Interestingly, interest rates themselves held steady, and the yield on the 10 Year Treasury Note closed completely flat on the week at 1.85 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,500.94	17,873.22	372.28	2.13%	2.57%
Nasdaq	4,769.56	4,933.50	163.94	3.44%	-1.48%
S&P 500	2,052.32	2,099.06	46.74	2.28%	2.70%
Russell 2000	1,112.28	1,150.45	38.17	3.43%	1.28%

## DAILY DEVELOPMENTS

### MONDAY

The latest Markit survey of American manufacturers fell to a weak 50.5 in May. A reading of less than 50 would suggest the manufacturing sector was contracting, which could prove to be a significant drag on economic growth. Manufacturers have been hurt by a strong dollar, weak global growth, and a plunge in investments from energy companies. Although the dollar has softened as of late and oil prices have risen a bit, manufacturers are still struggling to expand.

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*TUESDAY*

The Commerce Department said Tuesday that new home sales jumped 16.6 percent last month to a seasonally adjusted rate of 619,000, up from a revised total of 531,000 in March. New home purchases grew by a surprising 53 percent in the Northeast and 19 percent in the West. They declined by 5 percent in the Midwest and rose 16 percent in the South. The median price of a new home that sold in April rose to a record \$321,100, up from \$297,900 in March.

*WEDNESDAY*

The U.S. trade deficit in goods (excluding services) rose to \$57.5 billion last month from a final reading of \$57.1 billion, the Commerce Department reported Wednesday. Imports of goods rose an unadjusted 1.9% compared to March, while U.S. goods exported rose by 2.4%.

Markit Economics' flash purchasing manager's index (PMI) slipped to 51.2 in May. The preliminary index remains above 50, which shows that the services sector is still in expansion, although service-sector activity rose at the slowest pace in three months, and hiring fell to the slowest pace since December 2014.

*THURSDAY*

Initial claims for state unemployment benefits declined 10,000 to a seasonally adjusted 268,000 for the week ended May 21<sup>st</sup>, the Labor Department said on Thursday. The four week moving average of claims, considered a better measure of labor market trends, as it irons out week-to-week volatility, rose 2,750 to 278,500 last week. Continuing claims (claims filed after an initial week of aid) rose 10,000 to 2.16 million for the week ended May 14<sup>th</sup>. The four week average of continuing claims increased 8,500 to 2.15 million.

Orders for durable or long-lasting goods made in the U.S. jumped 3.4% in April the Commerce Department said Thursday. The increase was due in large measure to a rise in orders for commercial planes. Those orders accounted for 85% of the increase in April bookings. Stripping out transportation, durable-goods orders increased a modest 0.4%. By comparison, orders for a category known as core capital goods that's viewed as a proxy for business investment declined 0.8%. They've fallen in five of the past six months.

The National Association of Realtors Pending Home Sales Index rose 5.1% in April. The index reached its highest level in a decade. Closed sales of existing homes, which are based on contracts signed in February and March, rose 1.7 percent for the month and were up 6 percent from April of 2015.

**FRIDAY**

The Commerce Department's second estimate of the nation's first quarter GDP came in at an annualized rate of 0.8 percent, three tenths higher than the first estimate. Upward revisions were made to residential investment which was boosted by home improvements, while nonresidential investment remained weak. Personal consumption was soft and final demand was revised only a tenth higher.

Consumer sentiment came in at 94.7 for the month of May, as measured by the University of Michigan's Consumer Survey Center. The expectations component jumped 7.3 points to 84.9, reflecting strength in the outlook on the labor market. One year inflation expectations dropped a tenth to 2.4 percent. The five year figure also fell a tenth to 2.5 percent.

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**TIDBITS**

According to a report from Moody's published in the *Financial Times*, U.S. multinationals have left roughly \$1.2 trillion of their earnings overseas in an effort to skirt the charge on profits moved back to the U.S. levied under the country's complex tax code.

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**QUOTE OF THE WEEK**

"A market is the combined behavior of thousands of people responding to information, misinformation and whim."

- Kenneth Chang

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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](mailto: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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