

The Market Week in Review

For Week Ending May 7, 2016

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THE MARKETS

The major indices moved lower for a second consecutive week with the small cap Russell 2000 taking the brunt of the selloff. Mixed corporate earnings combined with lackluster economic data and a disappointing jobs report led to the weekly decline. Tech continued to lag as Apple Inc., a major constituent of the Nasdaq, traded at its lowest level in two years. Interest rates slid for a second week and the 10 Year Treasury Note now yields 1.78 percent. More notably, the U.S. dollar has softened nearly 5 percent since the beginning of the year, which bodes well not only for large U.S. multinational corporations, but also for commodities. Oil prices moved modestly lower, but U.S. benchmark crude is still trading near \$45 a barrel.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,773.64	17,740.63	-33.01	-0.19%	1.81%
Nasdaq	4,775.36	4,736.16	-39.20	-0.82%	-5.42%
S&P 500	2,065.30	2,057.14	-8.16	-0.40%	0.65%
Russell 2000	1,130.84	1,114.72	-16.12	-1.43%	-1.86%

DAILY DEVELOPMENTS

MONDAY

The Commerce Department announced on Monday that construction spending rose 0.3 percent in March to a seasonally adjusted annual rate of \$1.14 trillion, the highest level since October 2007. Spending on residential construction has been particularly strong, growing at a 14.8 percent annual pace in the first quarter of 2016. Home construction increased at a 1.6 percent annual rate in March, while nonresidential construction increased 0.7 percent.

The Institute for Supply Management said Monday that its manufacturing index registered 50.8 in April. That's down from March's 51.8 reading but above the 50 threshold that signals growth in the sector. Eleven of 18 manufacturing industries reported growth in April and 15 reported increases in new orders and production.

TUESDAY

Kelly Blue Book reported that automobile sales rose 3.6 percent in April to a record annual rate of 17.4 million. Honda led major automakers with a 14.4 percent sales increase, while Nissan's sales rose 12.8 percent. Fiat Chrysler was up 6 percent on record Jeep sales, and Ford sales increased by 4 percent on record SUV sales.

WEDNESDAY

The Commerce Department said on Tuesday that the U.S. Trade deficit declined by 13.9 percent to \$40.4 billion in March. However, the decline was attributable primarily to a decline in imported consumer goods, which could be a harbinger of a weaker domestic economy. The value of imported goods tumbled 4.3 percent to \$175.3 billion, the smallest total since December 2010. Exports of goods also declined 1.6 percent to \$116.8 billion, while exports of both goods and services fell by 0.9 percent to \$176.6 billion.

Factory orders rose 1.1 percent, rebounding from a 1.9 percent drop in February, the Commerce Department reported Wednesday. Orders for durable goods such as autos and appliances rose 0.8 percent. Demand for non-durable goods such as paper and chemicals rose 1.5 percent.

U.S. worker productivity decreased at a 1 percent annualized rate from January through March after a 1.7 percent decline in the fourth quarter. Labor costs jumped 4.1 percent.

The Institute for Supply Management's nonmanufacturing index rose to 55.7 in April from March's 54.5. The reading topped a 54.9 forecast from economists surveyed by The Wall Street Journal.

Also on Wednesday payroll processor ADP reported their monthly survey of U.S. companies which found that employers hired 156,000 new employees in April, down from 194,000 in March. The figure was significantly worse than expected.

THURSDAY

Initial unemployment claims rose by 17,000 to a seasonally adjusted 274,000 last week, according to the U.S. Labor Department. The jump represents

the largest increase in more than a year. However, jobless claims remained below 300,000, a threshold associated with healthy labor market conditions. The four week moving average of claims rose 2,000 to 258,000 last week.

More cause for concern regarding the labor market could be found in a report released Thursday by Challenger, Gray & Christmas. It indicated layoffs announced last month surged 35% compared with March.

FRIDAY

U.S. employers added fewer than expected jobs in April with 160,000 new payrolls being added, the Labor Department announced on Friday. While the number of new hires was the fewest in seven months, the increase was enough to suggest that the labor market is still growing. The unemployment rate remained at a low 5 percent, roughly where it has been since fall. However average worker pay was up 2.5% on a year-over-year basis.

TIDBITS

The Dow has closed in positive territory the Friday before Mother's Day for 15 of the last 22 years.

QUOTE OF THE WEEK

There's been far, far, far more money made by people in Wall Street through salesmanship abilities than through investment abilities."
- Warren Buffet

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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