

The Market Week in Review

For Week Ending November 19, 2016

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THE MARKETS

The overall post-election narrative did not change much during the past week. Expectations for inflationary fiscal policy kept the bond market under pressure, while the stock market enjoyed its second consecutive week of gains that lifted all four of the major indexes to close at or near record highs. The U.S. dollar climbed to its highest level in 13 years on Friday, as investors doubled down on their expectations of faster inflation and higher interest rates under a Trump presidency. Gold prices were pushed lower on the dollar's rise, closing Friday at their lowest level since May.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,847.66	18,867.93	20.27	0.11%	8.28%
Nasdaq	5,237.11	5,321.51	84.40	1.61%	6.27%
S&P 500	2,164.45	2,181.90	17.45	0.81%	6.75%
Russell 2000	1,282.38	1,315.64	33.26	2.59%	15.82%

DAILY DEVELOPMENTS

MONDAY

There was no major economic news on Monday.

TUESDAY

The U.S. Bureau of the Census reported that retail sales increased 0.8% in October, beating most economists' estimates by two tenths. In addition, the September figure was revised four tenths higher to plus 1.0%. Surging automobile sales were the driving force behind both beats, rising 1.1%. Building materials and garden equipment also saw a 1.1% gain, pointing to strength in residential investment.

Import prices rose 0.5% in October while export prices rose 0.2%, according to the Bureau of Labor Statistics. Import prices have been helped by rising petroleum costs, while export prices are being bolstered by farm prices. While showing improvement, year over year import prices are still down two tenths while exports are off 1.1%.

WEDNESDAY

Producer prices were flat in October, according to the Bureau of Labor Statistics' Producer Price Index, which was released Wednesday. Weak food and service costs fully offset the gains seen in the energy component, which as a whole rose 2.5% helped by a 9.7% surge in gasoline prices. Year over year, PPI is up 0.8%.

Industrial production was also flat in October after September's reading was revised three tenths lower to negative 0.2%. Vehicle production, however, was very strong in response to rising auto sales, and up a healthy 0.9% for the month and 5.0% over the past year. Business equipment, which has been weak most of the year, rose 0.2%. Overall capacity utilization fell a tenth to 75.3%, although the manufacturing component rose a tenth to 74.9%.

THURSDAY

The Consumer Price Index rose 0.4% in October, according to the Bureau of Labor Statistics. Food cost held from September's reading, but energy costs spiked, which propelled the headline increase. The core figure, however, which excludes food and energy, rose only a tenth and missed the consensus expectation by the same amount.

Housing starts rose to an annualized rate of 1.32 million units in October. This is the best rate since August 2007 and the highest monthly percentage spike since 1982. The data will certainly lift fourth quarter GDP estimates. Looking closer, single family unit starts increased 10.7% to an 869,000 rate and multi-family units spiked 69% (from a 39% September plunge) to a 454,000 annualized rate. Permits rose as well, but weren't as strong, up just 0.3%.

Initial jobless claims dropped 19,000 to 235,000 in the week of November 12th, according to the Department of Labor. This marks the 89th consecutive week of readings below 300,000. In lagging data for the November 5th week, continuing claims were also significantly lower, falling 66,000 to 1.98 million, marking the lowest level of unemployment claims since 1973.

According to data from the Philadelphia Federal Reserve's district, business conditions continued to pick up strength going into November. New orders rose for a third consecutive month and both unfilled orders and inventories, which are usually in negative territory, were positive.

FRIDAY

The nation's trade deficit in goods came in at a revised \$57.5 billion in September vs. an initial \$56.1 billion. Capital goods exports rose sharply in September as did exports of civilian aircraft. Imports slowed in the month including declines for capital goods and consumer goods. Oil imports were marginally lower.

TIDBITS

Federal Reserve Chair Janet Yellen made it clear to lawmakers that the election of Donald Trump won't alter the central bank's decision-making and signaled a likely interest-rate increase in December. She defended the Fed's independence and said she will serve out her full four-year term, which ends in January 2018.

QUOTE OF THE WEEK

"The short term fluctuations in [the] market, which loom so large to investors, have little to do with the long term accumulation of wealth."
- Jeremy Siegel, the "Wizard of Wharton"

We 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 Week in Review please email us at firm@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call us at the number listed below.

Best regards,

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