ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

# The Market Week in Review

**For Week Ending November 5, 2016**


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## THE MARKETS

Equities continued to struggle under with the uncertainty about the presidential election. The S&P has now logged nine consecutive days of declines – its longest losing streak in 36 years. Several technical market levels have now been breached and the volatility index (the VIX) has risen well over 40% to above 22 for the first time since Brexit. Bond yields dropped as market participants bid prices higher in search of relative safety, although the yield on the 10 Year Treasury only dropped six basis points to 1.78%. The price of gold held above $1,300 an ounce as the week settled out.

| Index | Started Week | Ended Week | Change | % Change | YTD % |
|---|---|---|---|---|---|
| DJIA | 18,161.19 | 17,888.28 | -272.91 | -1.50% | 2.66% |
| Nasdaq | 5,190.10 | 5,046.37 | -143.73 | -2.77% | 0.78% |
| S&P 500 | 2,126.41 | 2,085.18 | -41.23 | -1.94% | 2.02% |
| Russell 2000 | 1,187.61 | 1,163.44 | -24.17 | -2.04% | 2.43% |

## DAILY DEVELOPMENTS

*MONDAY*

The Bureau of Economic Analysis reported Monday that personal income rose 0.3% in September, while consumer spending jumped 0.5%. Inflation data indicated that personal consumption expenditures rose 0.2% in September, and 1.2% for the one year figure – the highest showing since late 2014, and two tenths closer to the Fed's target rate of 2%. Still, the core rate, which excludes food and energy, only rose 0.1% in September but the one year figure is three tenths better than the comparable 2015 number at 1.7%.

*TUESDAY*

The Institute for Supply Management's Manufacturing Index registered 51.9 for October, a rise of four tenths from the prior month, and three tenths above expectations. New orders, however, dropped three full points to 52.1, which while still in growth mode, slowed considerably from September. Backlog orders were even weaker, in contractionary territory at 45.5. New export orders were respectable at 52.5.

*WEDNESDAY*

The Federal Reserve left interest rates unchanged Wednesday but suggested in its post-meeting statement that it will edge rates up at its December meeting. The Federal Open Market Committee says that inflation is picking up but that it is lower than the central bank's 2% target.

*THURSDAY*

Initial jobless claims rose by 7,000 to 265,000 for the October 29th week, the Labor Department reported. Though that number is the highest in almost three months, continuing claims for the October 22nd week trended to a record low of 2.026 million. There were no special factors in the report, one which points to ongoing strength on the jobs front.

Orders to U.S. factories edged up 0.3 percent in September following a 0.4 percent advance in August, the Commerce Department reported Thursday. Orders in a category that serves as a proxy for business investment fell 1.3 percent, reversing a 1.2 percent increase in August. It was the biggest decline in the investment category since a 2.1 percent plunge in February. Orders for durable goods, items expected to last at least three years, fell by 0.3 percent in September, due in part to a big drop in demand for military aircraft, which fell 47.6 percent. Demand for non-durable goods, items such as chemicals and paper, increased 0.9 percent after a 0.5 percent rise in August.

*FRIDAY*

The Bureau of Labor Statistics reported that 161,000 jobs were created in the month of October, missing the consensus estimate of 178,000. However, there were also significant upward adjustments to the prior to months, suggesting the labor market remains healthy. Hiring over the past three months averaged 176,000, above the level many economists believe is necessary to keep pace with population growth. The tightening labor market is pushing wages higher, with average hourly earnings rose 0.4% with the one year figure registering a strong 2.8% increase. The unemployment rate dropped a tenth to 4.9%, although the low rate is due at least in part to a large number of could-be workers who have stopped looking for a job.

The nation's trade gap closed sharply in September to a $36.4 billion deficit, according to the Bureau of Economic Analysis. The decrease was helped by a decline in imports of capital goods and consumer goods. On the contrary, exports for capital goods rose a strong 0.6%. The report points to what could be a healthy GDP figure for the fourth quarter.

## TIDBITS

The market price of gold broke above the $1,300 an ounce threshold on Wednesday as investors sought out safe-haven investments with the upcoming U.S. presidential election tightening.

## QUOTE OF THE WEEK

"When everybody thinks alike, everyone is likely to be wrong."
- Humphrey B. Neill

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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