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ASSET MANAGEMENT

The Market Week in Review

For Week Ending October 8, 2016

THE MARKETS

The sideways grind in stocks continued with volatility remaining subdued, although all the major indices finished with losses for the first week in four. Expectations of OPEC's production cut, coupled with possible disruptions from Hurricane Matthew, sent U.S. benchmark crude oil above $50 a barrel for the first time since June. The dollar also rallied as the British pound weakened significantly on uneasiness of a proposed Brexit timeline. Interestingly, after a weaker than expected September jobs report, the probability of a December Fed rate hike (as measured by the Fed Funds futures market) jumped to 64% from 55%. The yield on the 10 Year Treasury Note popped 13 basis points for the week to 1.73 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,308.15	18,240.49	-67.66	-0.37%	4.68%
Nasdaq	5,312.00	5,292.40	-19.60	-0.37%	5.69%
S&P 500	2,168.27	2,153.74	-14.53	-0.67%	5.37%
Russell 2000	1,251.65	1,236.56	-15.09	-1.21%	8.86%

DAILY DEVELOPMENTS

MONDAY

The Institute of Supply Management reported on Monday that its national factory activity index rebounded back into expansionary territory in September after slumping the previous month. More specifically, the reading for the index for September rose to 51.5 from 49.4 the prior month, beating analyst expectations in a Reuters poll. Levels above 50 indicate the sector is expanding.

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Also on Monday, the Commerce Department said construction spending dropped 0.7 percent to a seasonally adjusted annual rate of $1.142 trillion in August. Economists had expected outlays to rise 0.2 percent. Private construction spending fell 0.3 percent, with outlays on residential construction down by the same amount. Spending on private nonresidential structures fell 0.4 percent in August, while public construction spending dropped 2.0 percent.

TUESDAY

There were no major economic announcements on Tuesday.

WEDNESDAY

The Commerce Department said on Wednesday that new orders for manufactured goods rose 0.2 percent after a downwardly revised 1.4 percent increase in July. It was the second straight monthly increase following two months of weakness. Orders for non-defense capital goods excluding aircraft increased 0.9 percent in August compared to the 0.6 percent rise it reported last week. Core capital goods are seen as a measure of business confidence and spending plans on equipment. Core capital goods shipments, which are used to calculate business equipment spending in the gross domestic product report, edged down 0.1 percent in August. They were previously reported to have fallen 0.4 percent.

Also on Wednesday the Institute of Supply Management reported its non-manufacturing index jumped to 57.1 in September from 51.4 a month earlier. Any reading above 50 signals expansion. Business activity also increased in September to 60.3 percent, 8.5 percentage points higher than August, while the employment index increased by 6.5 percentage points than the prior month.

THURSDAY

Initial jobless claims dropped 5,000 for the week of October 1st to a lower than expected 249,000 level. The four week average, lower by 2,500 to 253,500, is down for the seventh consecutive week. In lagging data for the week of September 24th, continuing claims also fell by 6,000 to a 2.06 million level. There were no special factors in the report, which is particularly positive given the readings are at or near historic lows.

FRIDAY

Nonfarm payrolls increased by only 156,000 in September, according to the Bureau of Labor Statistics. Polled economists had expected a rise of 168,000. In further weakness, average hourly earnings increased only 0.2 percent from the prior month, which is hardly inflationary. Positives in the report include the labor force participation rate, which ticked a tenth higher to 62.9 percent, and also a tenth increase in the workweek which now stands at 34.4 hours. The increase in the participation rate caused the unemployment rate to bump up a tenth to 5.0 percent.

TIDBITS

The British pound fell to its lowest value on foreign exchange markets since early July, after the UK voted to pull out of the EU. The drop came after Prime Minister Theresa May on Monday outlined plans for triggering Brexit in the first quarter of next year.

QUOTE OF THE WEEK

"When you're ahead of the crowd, you're a genius. When you're two steps ahead, you're a crackpot."
- Shlomo Riskin

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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