

The Market Week in Review

For Week Ending September 17, 2016

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THE MARKETS

The 10 Year Note yield hit 1.75 percent mid-week, its highest level since June, despite the fact that Fed Funds futures contracts are predicting a very low chance of an interest rate increase in September. Although the week which ended with a “quadruple witching” of options and futures expirations was volatile, stocks broadly finished with modest gains. Apple Inc., which is a heavily weighted stock in the Nasdaq, S&P and the Dow, spiked 11 percent for the week, and kept the latter two from losing ground as market breadth was very narrow. That company propelled the Nasdaq 2.31 percent higher. Both gold and oil moved lower as the dollar strengthened.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,085.45	18,123.80	38.35	0.21%	4.01%
Nasdaq	5,125.91	5,244.57	118.66	2.31%	4.74%
S&P 500	2,127.81	2,139.16	11.35	0.53%	4.66%
Russell 2000	1,219.21	1,224.78	5.57	0.46%	7.83%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The median household’s income in 2015 was \$56,500, up 5.2 percent from the previous year - the largest single year increase since record-keeping began in 1967, the Census Bureau said on Tuesday. The share of Americans living in poverty also posted the sharpest decline in decades. Unfortunately, the median household income was still 1.6 percent lower than in 2007, adjusting for inflation.

WEDNESDAY

Import prices declined 0.2 percent in August for the first monthly decrease since February. They are down 2.2 percent from a year ago. Export prices also declined, slipping 0.8 percent in August and 2.4 percent for the one year figure. Both metrics were expected to decrease 0.1 percent and the added softness was caused mainly by falling petroleum product prices.

THURSDAY

Initial jobless claims rose 1,000 for the week of September 10th, but claims are still at a historically low level of 260,000. The four week average dropped slightly to 260,750. Continuing claims, in lagging data for the September 3rd week held steady at 2.14 million.

Producer prices were flat for the month of August and also for the year, held back by decreases in energy prices and also food costs, which were down the most in three years. Excluding food and energy, core prices rose only 0.1 percent in August and are up 1.0 percent on the year. Weak pricing pressure makes a September interest rate hike less likely.

Both industrial production and manufacturing fell 0.4 percent in August, according to the Federal Reserve's index, and July's figure was revised a tenth lower to plus 0.6 percent. The capacity utilization rate also dropped four tenths to 75.5 percent. Mining, however, was a bright spot in the report, rising a solid 1.0 percent.

Retail sales fell 0.3 percent in August, while excluding automobiles and gasoline they slipped just 0.1 percent. Still, both readings are weak, and special weakness in building materials and garden equipment will lower the estimates for residential investment for the third quarter GDP number.

FRIDAY

The Consumer Price Index rose 0.2 percent in August for a 1.1 percent gain on the year. Excluding food and energy, prices rose 0.3 percent in August and 2.3 percent versus a year ago. This is the tenth 2 percent plus annual reading in a row - something the Fed has been keeping a close watch on. The 0.3 percent core increase in August was the largest since February.

TIDBITS

An article in the New York Times notes that the U.S. federal estate tax collected just \$19 billion in 2015. The Internal Revenue Code imposes a tax of 40% on estates over \$5.45 million (\$10.9 million for married couples). By comparison, the average estate tax rate for countries in the Organization for Economic Cooperation and Development (OECD) was 15% according to the article, with a median rate of 7%. Australia, Canada, and Sweden do not tax inheritance at all.

QUOTE OF THE WEEK

“Someone is sitting in the shade today because someone planted a tree a long time ago”.

- Warren Buffett

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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