

The Market Week in Review

For Week Ending May 27, 2017

THE MARKETS

The S&P trended solidly higher and into uncharted territory this week. All the major indices moved appreciably higher, led once again by the tech-laden Nasdaq which tacked on a gain of over 2%. After jumping higher mid-week, benchmark interest rates retreated to close the week completely flat with the 10 Year Note yielding 2.25%. West Texas Intermediate crude oil rose as high as \$52 a barrel before OPEC's decision to continue production cuts for only nine months (some traders were hoping for 12) sent the commodity back under \$50 by week's end. Gold moved \$15 higher to \$1,271 an ounce.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	20,804.84	21,080.28	275.44	1.32%	6.67%
Nasdaq	6,083.70	6,210.19	126.49	2.08%	15.36%
S&P 500	2,381.73	2,415.82	34.09	1.43%	7.91%
Russell 2000	1,367.33	1,382.24	14.91	1.09%	1.85%

DAILY DEVELOPMENTS

MONDAY

The Chicago Fed's National Activity Index rose to 0.49 in April with the three month moving average jumping to 0.23. Strength was seen in industrial production and the employment component was also strong. Weakness came from a decline in personal consumption and housing, but this report is still largely positive and points to a good month for the economy.

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TUESDAY

ISM's Purchasing Managers Index rose 1.2 points to 53.9 in May led by an increase in the services sector which jumped 1.5 points to 54.0. The manufacturing component was soft across all of its components, falling three tenths to 52.5, but levels above 50 still indicate growth. Of note in this report is a subdued outlook for the services sector.

The National Association of Realtors' reported new home sales slid 11.4% in April to a much lower than expected annualized rate of 569,000 units. The prior month, however, was revised 40,000 units higher. Not only did sales fall, but so did the median sales price by 3.0% to \$309,200. Supply increased by 4,000 units to 268,000 which is measured as 5.7 months.

WEDNESDAY

Existing home sales also fell in April by 2.3% to a 5.57 million annualized rate, though this is still near a recovery high. Single family homes dropped 2.4% and condos were down 1.6%, with both components up 1.6% year over year. Supply rose 7.2% to 1.93 million units.

Minutes from the Federal Open Market Committee's meeting that concluded on May 3rd indicated that a couple members were ready to raise interest rates again after they were raised in March. However, the majority of members would like to be patient through what they see as temporary economic weakness. There was also talk of "gradually unwinding" the Fed's \$4.5 trillion balance sheet in a predictable manner. There was little commentary on Trump's policies and their impact on the economy.

THURSDAY

Initial jobless claims held near their lows for the week of May 20th, edging only 1,000 higher to 234,000, with the four week average falling sharply by 5,750 to 235,250. The Labor Department's report also indicated that continuing claims for the week of May 13th rose 24,000 to 1.92 million. But here too the four week average was down 16,000 to 1.93 million.

The Commerce Department reported that the trade deficit for April widened by \$2.5 billion to \$67.6 billion with exports continuing to lead the weakness. Imports rose as well by 0.7% to \$193.4 billion with consumer goods leading the way. This report points to currency outflow and weak global demand.

FRIDAY

The Census Bureau reported new orders for durable goods dropped 0.7% in April although they are still rising at a 0.9% annual clip. Excluding the volatile transportation component new orders dropped 0.4%, showing that aircraft was not a major factor in the headline reading. On the positive side, manufacturing output rose, as did inventories and unfilled orders.

The Commerce Department's second estimate of GDP came in better than expected at an annualized clip of 1.2% - nearly double the first estimate. Consumer spending doubled to 0.6% and nonresidential fixed investment rose 2% to a gain of 11.4%. Services also showed better growth at 0.8% although durables moved 1.4% into negative territory.

TIDBITS

Bitcoin, the digital currency, skyrocketed 153% this year to over \$2,700 this week, making it twice as valuable as an ounce of gold.

QUOTE OF THE WEEK

“The big mistake is thinking they know when to buy and sell stocks - that there are times to buy 'em and times to sell 'em. There's times to buy 'em. And eventually maybe, when you decide to start dis-saving when you're 70 or 80 years of age or something of the sort, at that time you may sell 'em. But basically any attempts to pick the times to buy or sell, I think, are a mistake for 99% of the population. And I think that even attempts to pick individual securities is a mistake for people.”

- Warren Buffet

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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