

**Market Week: February 29,
2016**



Key

Dates/Data Releases
 3/1: PMI Manufacturing Index, ISM Manufacturing Index
 3/3: Productivity and costs, factory orders, ISM Non-Manufacturing Index
 3/4: Employment situation, international trade

The Markets (as of market close February 26, 2016)

Last week saw a mixed bag of information from some major economic sectors, which may have influenced the equities markets to record some marginal gains by week's end. Each of the indexes listed here posted week-on-week gains, led by the Russell 2000 and Nasdaq. The Dow and S&P 500 posted gains of about 1.5%, respectively, while the Global Dow inched ahead despite Saudi Arabia's oil minister saying he did not foresee cuts in the supply of oil, likely adding to the glut of global supply.

The price of crude oil (WTI) increased again last week, closing the week at \$32.84 a barrel, \$3.01 ahead of the prior week's closing price. The price of gold (COMEX) fell by last week's end, selling at \$1,222.80 by late Friday afternoon, down from the prior week's closing price of \$1,228.00. The national average retail regular gasoline price actually increased for the first time in eight weeks, selling at \$1.730 per gallon on February 22, 2016, a mere \$0.006 above the prior week's price of \$1.724 but still \$0.602 under a year ago.

Market/Index	2015 Close	Prior Week	As of 2/26	Weekly Change	YTD Change
DJIA	17425.03	16391.99	16639.97	1.51%	-4.51%
Nasdaq	5007.41	4504.43	4590.47	1.91%	-8.33%
S&P 500	2043.94	1917.78	1948.05	1.58%	-4.69%
Russell 2000	1135.89	1010.01	1037.18	2.69%	-8.69%
Global Dow	2336.45	2149.19	2164.45	0.71%	-7.36%
Fed. Funds rate target	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
10-year Treasuries	2.26%	1.75%	1.76%	1 bps	-50 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Headlines

- The "second" estimate of the gross domestic product was a little better than the first as the GDP advanced 1.0%, which is 0.3 percentage point above the initial fourth quarter estimate. The GDP, which is the broadest measure of economic activity in the United States, increased 2.0% in the third quarter and 3.9% in the second. The increase in real GDP in the fourth quarter reflected positive contributions from personal consumption expenditures (PCE), residential fixed investment, and federal government spending, gains that were partly offset by negative contributions from exports, nonresidential fixed investment, state and local government spending, and private inventory investment. Essentially, the fourth quarter deceleration in the GDP reflects weaker consumer spending. However, this trend may be changing as evidenced by January's income and outlays report that follows.
- According to the latest report from the Bureau of Economic Analysis, consumers increased spending in January, as personal spending increased 0.5% from December. An indicator of inflationary trends relied upon by the Fed, core personal consumption expenditures (excluding volatile food and energy costs) gained 0.3% in January and is 1.7% ahead of the same period last year as it inches toward the Fed's inflation target of 2.0%. Both personal income (pretax earnings) and disposable personal income (less taxes) increased 0.5%. Wages and salaries increased \$48.1 billion in January, compared with an increase of \$18.3 billion in December. Personal saving remained relatively unchanged at \$705.1 billion in January, compared with \$709.2 billion in December.
- Existing home sales increased 0.4% in January to a seasonally adjusted annualized rate of 5.47 million—the highest annual rate in six months. The median sales price of existing homes fell from \$223,200 in December to \$213,800 in January, but it is still up 8.2% from January 2015, according to the National Association of Realtors®. While total housing inventory is 2.2% lower than a year ago, January saw inventory increase 3.4% over the prior month.
- In another sign that the real estate sector is slowing a bit, sales of new single-family homes sunk 9.2% in January compared with the prior month. January's 494,000 sales figure is 50,000 off December's revised total, and 5.2% below the January 2015 estimate of 521,000. The median sales price of new houses sold in January was \$278,800, while the average sales price was \$365,700. The seasonally adjusted estimate of new houses for sale at the end of January was 238,000. This represents a supply of 5.8 months at the current sales rate.
- The Census Bureau's advance report on orders for manufactured durable goods (expected to last at least three years) shows new orders increased \$11.1 billion, or 4.9%, to \$237.5 billion in January following two consecutive months of declines. Excluding transportation (up \$8.2 billion, or 11.5%), new orders increased 1.8%. Excluding defense, new orders increased 4.5%. Shipments of manufactured durable goods in January, up two of the last three months, increased \$4.6 billion, or 1.9%, to \$241.9 billion. Inventories of manufactured durable goods in January, down six of the last seven months, decreased \$0.4 billion, or 0.1%, to \$396.3 billion. This report signals an investment by business in goods and equipment—a welcome sign for the manufacturing sector of the economy.
- The advance report on the trade deficit in goods for January shows the trade gap widening to \$62.2 billion, compared with \$61.5 billion in December. Both exports (2.9%) and imports (1.5%) decreased for the month.
- The Conference Board Consumer Confidence Index®, which had increased moderately in January, declined in February. The index now stands at 92.2, down from 97.8 in January. The index was reflective of surveyed consumers' weakened assessment of current business conditions, apprehension about their personal financial situations, and, to a lesser degree, labor market prospects. Following suit, the University of Michigan's Index of Consumer Sentiment dropped 0.3 percentage point in February to 91.7, compared with 92.0 in January.
- For the week ended February 20, there were 272,000 initial claims for unemployment insurance, an increase of 10,000 from the prior week's unrevised level of 262,000. For the week ended February 13, the advance number for continuing unemployment insurance claims was 2,253,000, a decrease of 19,000 from the previous week's revised level. The advance seasonally adjusted insured unemployment rate remained at 1.7% for the week ended February 13.

Eye on the Week Ahead

Important economic information available this week centers on two sectors that have not been particularly favorable of late: manufacturing and international trade. On the other hand, the Bureau of Labor Statistics releases its latest figures on the employment situation, which has been one of the few economic bright spots over the last several months.

Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.