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Market Week: June 13, 2016

The Markets (as of market close June 10, 2016)

The major market indexes listed here were relatively flat for the week. Despite gains earlier in the week, losses Thursday and Friday wiped out most of the positive returns. By midweek, the S&P 500 reached its highest level since last July only to give back most of the gains, closing the week slightly behind its prior week's closing value. Technologies underperformed with Nasdaq falling almost 1%. Oil reached \$51 per barrel by the middle of the week, but fell back to below that benchmark by week's end.

Crude oil (WTI) closed at \$48.88 a barrel last week, down \$0.02 from the previous week. The price of gold (COMEX) rose to \$1,276.30 by late Friday afternoon, up from the prior week's price of \$1,246.50. The national average retail regular gasoline price increased for the fourth week in a row to \$2.381 per gallon on June 6, 2016, \$0.042 above the prior week's price but \$0.399 below a year ago.

Market/Index	2015 Close	Prior Week	As of 6/10	Weekly Change	YTD Change
DJIA	17425.03	17807.06	17865.34	0.33%	2.53%
Nasdaq	5007.41	4942.52	4894.55	-0.97%	-2.25%
S&P 500	2043.94	2099.13	2096.07	-0.15%	2.55%
Russell 2000	1135.89	1164.13	1163.93	-0.02%	2.47%
Global Dow	2336.45	2349.87	2333.86	-0.68%	-0.11%
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%	1.71%	1.64%	-7 bps	-62 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

- Speaking to the World Affairs Council of Philadelphia, FOMC Chair Janet Yellen emphasized that the economy is moving in the right direction. According to Yellen, "I see good reasons to expect that the positive forces supporting employment growth and higher inflation will continue to outweigh the negative ones. As a result, I expect the economic expansion to continue, with the labor market improving further and GDP growing moderately. . . . I expect to see inflation moving up to 2% over the next couple of years." As to the prospect of increasing interest rates, Yellen noted that "further gradual increases in the federal funds rate will probably be appropriate to best promote the FOMC's goals of maximum employment and price stability," although she did not go so far as to hint that a rate increase was imminent following the June FOMC meeting.
- Productivity remains weak as the second estimate for the first quarter showed nonfarm business sector labor productivity decreased at a 0.6% annual rate during the first quarter of 2016, the U.S. Bureau of Labor Statistics reported. Output increased only 0.9%, while hours worked increased 1.5%. From the first quarter of 2015 to the first quarter of 2016, productivity increased 0.7%. Unit labor costs in the



Key Dates/Data Releases

6/14: Retail sales, import and export prices

6/15: Producer Price Index, industrial production, FOMC meeting announcement

6/16: Consumer Price Index, Housing Market Index

6/17: Housing starts

nonfarm business sector increased 4.5% in the first quarter of 2016, reflecting a 3.9% increase in hourly compensation and a 0.6% decline in productivity. Unit labor costs have increased 3.0% over the last four quarters.

- The U.S. Bureau of Labor Statistics reported the number of job openings was little changed at 5.8 million on the last business day of April. The job openings rate was 3.9%. Job openings increased in a number of industries, with the largest changes occurring in wholesale trade, transportation, warehousing, and utilities. Job openings decreased in professional and business services. The number of hires edged down to 5.1 million in April. The hires rate was 3.5%. There were 5.0 million total separations in April, little changed from March. The total separations rate in April was 3.5%. Total separations, or turnover, includes quits, layoffs and discharges, and other separations.
- The federal deficit expanded by \$52.5 billion in May amid rising spending and falling corporate profits. For the first seven months of the fiscal year, the deficit sits at \$407.1 billion compared to \$366.8 billion for the same period last year.
- Initial survey results for June show consumers are still cautiously optimistic about the economy. The latest report from the University of Michigan's Surveys of Consumers shows the Index of Consumer Sentiment fell slightly to 94.3 from 94.7 in May. But the Current Economic Conditions Index increased from 109.9 to 111.7. The Index of Consumer Expectations dropped to 83.2 from 84.9 in May. According to the report, consumers rated their current financial situation at the best levels since 2007, but they did not think the economy is as strong as it was last year nor do they anticipate the economy will enjoy the same financial health in the year ahead as they anticipated a year ago.
- In the week ended June 4, the advance figure for seasonally adjusted initial unemployment insurance claims was 264,000, a decrease of 4,000 from the previous week's unrevised level. The advance seasonally adjusted insured unemployment rate fell to 1.5% for the week ended May 28, a decrease of 0.1 percentage point from the previous week's unrevised rate. The advance number for seasonally adjusted insured unemployment during the week ended May 28 was 2,095,000, a decrease of 77,000 from the previous week's unrevised level of 2,172,000.

Eye on the Week Ahead

FOMC Chair Janet Yellen's remarks last week may prove to be a precursor to the Committee's actions following this week's meeting. A poor employment report may be enough to influence members to hold off on raising interest rates, unless retail sales and consumer prices show sufficient inflationary pressure for the Committee to justify a bump in rates.

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.

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