

Costello Wealth Management

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Market Week: July 11, 2016

The Markets (as of market close July 8, 2016)

Equities continue to put the upheaval caused by Brexit in the rearview mirror as several of the indexes listed here are above their 2015 closing values. Of those indexes, only the Nasdaq and Global Dow remain below their end-of-year values. The S&P 500 exceeded its record high of 2130.82 during trading last Friday, finally closing at 2129.90. June's favorable employment report likely helped fuel the end-of-week surge. The 10-year Treasury yield settled at a record low of 1.36%. After a turbulent start to 2016, the stock indexes listed here have gathered momentum heading to the middle of the summer.

Crude oil (WTI) closed at \$45.21 a barrel last week, down from \$49.28 per barrel the previous week. The price of gold (COMEX) rose to \$1,367.40 by late Friday afternoon, up from the prior week's price of \$1,344.90. The national average retail regular gasoline price decreased to \$2.291 per gallon on July 4, \$0.038 under the prior week's price and \$0.502 below a year ago.

Market/Index	2015 Close	Prior Week	As of 7/8	Weekly Change	YTD Change
DJIA	17425.03	17949.37	18146.74	1.10%	4.14%
Nasdaq	5007.41	4862.57	4956.76	1.94%	-1.01%
S&P 500	2043.94	2102.95	2129.90	1.28%	4.21%
Russell 2000	1135.89	1156.77	1177.36	1.78%	3.65%
Global Dow	2336.45	2323.19	2318.79	-0.19%	-0.76%
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%	1.44%	1.36%	-8 bps	-90 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

- Better news from the employment sector in June as the Bureau of Labor Statistics reported that 287,000 new jobs were added, compared to only 49,000 (revised) in May. Job growth occurred in leisure and hospitality, health care and social assistance, and financial activities. Unemployment increased by 0.2 percentage point to 4.9%, and the number of unemployed persons increased by 347,000 to 7.8 million. These increases largely offset declines in May and brought both measures back in line with levels that had prevailed from August 2015 to April. The employment participation rate increased slightly from 62.7 in May to 63.1 in June. In June, the average workweek for all employees on private nonfarm payrolls was 34.4 hours for the fifth consecutive month, and the average hourly earnings for all employees on private nonfarm payrolls edged up \$0.02 to \$25.61. Over the year, average hourly earnings have risen by 2.6%.
- Factory orders fell \$4.6 billion, or 1.0%, in May to \$455.4 billion. This follows a 1.8% increase in April. Durable goods orders dropped \$5.4 billion, or 2.3%, to \$230.4 billion. A telling aspect of this report is the



Key Dates/Data Releases

7/12: JOLTS

7/13: Import and export prices, Treasury budget

7/14: Producer Price Index

7/15: Consumer Price Index, retail sales, industrial production, consumer sentiment

overall weakness in business investment, reflective of a lack of expectations for growth in manufacturing and consumer sales.

- Imports once again outpaced exports in May, as the trade gap rose 10.1% from April. According to the Census Bureau, the goods and services deficit was \$41.1 billion, up \$3.8 billion from April. May's exports were \$182.4 billion, while imports were \$223.5 billion--\$3.4 billion more than April imports. However, year-to-date, the goods and services deficit decreased \$7.2 billion, or 3.5%, from the same period in 2015. Exports decreased \$47.2 billion or 4.9%. Imports decreased \$54.3 billion or 4.7%. As has been the case for a while now, the strength of the dollar abroad continues to weaken demand for U.S. goods and services.
- According to the latest Non-Manufacturing ISM® Report On Business®, economic activity in the non-manufacturing sector grew in June. The Non-Manufacturing Index registered 56.5% in June, 3.6 percentage points higher than the May reading of 52.9%. The Non-Manufacturing Business Activity Index increased 4.4 percentage points, the New Orders Index® increased by 5.7 percentage points, and the Employment Index grew 3 percentage points. Those non-manufacturing industries reporting growth in June include mining; arts; entertainment and recreation; retail trade; health care and social assistance; utilities; and real estate.
- The minutes from FOMC's June meeting were released last week. It is clear that the overwhelming deterrent to raising interest rates was the May employment report, which showed only 38,000 (prior to its revision to 49,000) new jobs added.
- In the week ended July 2, the advance figure for seasonally adjusted initial unemployment insurance claims was 254,000, a decrease of 16,000 from the previous week's unrevised level. The advance seasonally adjusted insured unemployment rate bumped up to 1.6%. The advance number for seasonally adjusted insured unemployment during the week ended June 25 was 2,124,000, a decrease of 44,000 from the previous week's revised level.

Eye on the Week Ahead

Inflation is front and center next week as the latest reports on retail sales and producer and consumer prices are available. Growth in producer prices and consumer spending has been subdued as inflation remains below the Fed's target rate of 2.0%. With retail sales accounting for almost one-half of total consumer spending, next week's report should help define where the economy is heading.

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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