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Market Month: April 2016

The Markets (as of market close April 29, 2016)

Despite a poor close to the month, the indexes listed here improved in April (with the exception of the Nasdaq) compared to their March closing values--but not by much. The Dow gained a scant 88.55 points over the month, while the S&P 500 increased less than 0.3%. On the year, only the Russell 2000 and the Nasdaq remain below their year-end values.

Bond yields increased by the close of trading for April as prices fell, presumably due to investor money moving back to equities. The price of gold (COMEX) increased by month's end, selling at $1,294.90--about $62 higher than March's end-of-month price of $1,233.00.

Market/Index	2015 Close	Prior Month	As of 4/29	Month Change	YTD Change
DJIA	17425.03	17685.09	17773.64	0.50%	2.00%
Nasdaq	5007.41	4869.85	4775.36	-1.94%	-4.63%
S&P 500	2043.94	2059.74	2065.30	0.27%	1.05%
Russell 2000	1135.89	1114.03	1130.84	1.51%	-0.44%
Global Dow	2336.45	2307.34	2377.38	3.04%	1.75%
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%	1.79%	1.83%	4 bps	-43 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.

The Month in Review

- **Employment:** The labor market continued its strong run in March based on the latest information from the Bureau of Labor Statistics. Total nonfarm payroll employment rose by 215,000 in March, and the unemployment rate was little changed at 5.0%. Employment increased in retail trade, construction, and health care. Job losses occurred in manufacturing and mining. There were 8 million unemployed persons, while the labor force participation rate increased slightly to 63% from 62.9% in February, and is up 0.6% since September. The average workweek remained at 34.4 hours. Average hourly earnings for all employees on private nonfarm payrolls increased by $0.07 to $25.43, following a $0.02 decline in February. Over the year, average hourly earnings have risen by 2.3%.
- **FOMC/interest rates:** Following its latest meeting in April, the Federal Open Market Committee decided to maintain the target range for the federal funds rate at 0.25% to 0.50%. With inflation running below the Committee's 2.0% target rate, the federal funds rate is expected to remain, for some time, below levels that are expected to prevail in the longer run, which leaves the timing of the next rate increase open to speculation.
- **Oil:** Crude oil prices gained over the month, closing over $45 for the first time since February--this despite the inability of several major oil-producing countries to reach an agreement to cap production. At

Key Dates/Data Releases

5/2: ISM Manufacturing Index

5/4: Productivity and costs, international trade

5/6: Employment situation

5/10: JOLTS

5/11: Treasury budget

5/12: Import and export prices

5/13: Retail sales, Producer Price Index

5/17: Consumer Price Index, housing starts, industrial production

5/20: Existing home sales

5/24: New home sales

5/25: International trade in goods

5/26: Durable goods orders

5/27: GDP

5/31: Personal income and outlays

the end of April, crude oil (WTI) was selling at $45.92 per barrel, compared to the $37.49 per barrel closing price at the end of March.

- **GDP/budget:** The first estimate of the GDP for quarter one revealed only marginal growth at 0.5%, compared to the fourth-quarter annualized growth rate of 1.4%. Positives in the first-quarter GDP include residential spending and state and local government spending, which were offset by decreases in nonresidential (business) investment, consumer spending, federal government spending, increasing imports, and decreasing exports. While this report is based on economic information that will surely be updated in the coming months, initial estimates show an overall economy that isn't expanding at any great pace. Since October, the federal deficit is up almost 4.9% compared to the first half of 2015, and sits at about $461 billion. In March, the deficit was $108 billion, $55.13 billion over the deficit a year ago, as spending in March on Social Security and Medicare increased 3% and 6%, respectively.
- **Inflation:** The latest inflation rate for the United States based on consumer prices is 0.9% through the 12 months ended March 2016 as published by the Bureau of Labor Statistics on April 14, 2016--well below the Fed's stated target rate of 2.0%. Overall, the Consumer Price Index rose 0.1% in March from February. Over the last twelve months, the index had increased 0.9%. However, the gain (0.1%) in the core prices index less food and energy was the smallest increase since last August. Personal consumption expenditures, the Fed's favored measure of inflation, rose only 0.1% in March over February and has increased 0.8% since last March, certainly below the Fed's 2.0% inflation target rate for the 47th consecutive month. The Producer Price Index, which measures the prices companies receive for goods and services, fell 0.1% in March following a 0.2% decline in February. Prices for services declined 0.2% for the month, while prices for goods, which had dropped each of the previous eight months, rose 0.2% in March. Retail sales for goods and services dipped 0.3% in March, although they're still 1.7% ahead of last March. Retail sales, excluding auto and gas, actually rose 0.1% for the month, while total sales for the first quarter of 2016 are up 2.8% compared to the same period a year ago.
- **Housing:** The housing sector was a mixed bag of good and bad in March. New home construction fell a sharp 8.8% from February. Single family home starts fell 9.2%, and multifamily starts dropped 8.5%. Applications for building permits were down 7.7%--not a positive sign for new home construction. The latest figures from the Census Bureau show that the 511,000 annual rate of sales of new single-family homes in March is 1.5% below February's revised rate of 519,000, but 5.4% above the March 2015 estimate of 485,000. The median sales price of new houses sold in March was $288,000 ($297,400 in February), while the average sales price was $356,200 ($342,100 in February). The seasonally adjusted estimate of new houses for sale at the end of March was 246,000--a supply of 5.8 months at the current sales rate. On the other hand, sales of existing homes were up 5.1% in March at an annualized rate of 5.330 million. According to the latest report from the National Association of Realtors®, year-on-year sales growth of existing homes is up 11.0%. The median sales price for existing homes increased 5.0% over February to $222,700, which marks the 49th consecutive month of year-over-year gains. Total housing inventory at the end of March increased 5.9% to 1.98 million existing homes available for sale, which is still 1.5% lower than a year ago (2.01 million).
- **Manufacturing:** Manufacturing and industrial production had been relatively weak sectors in the economy for quite some time, and some indicators in March are proving that trend is continuing. According to the Federal Reserve's report for March, industrial production decreased 0.6% for the second month in a row. For the first quarter, industrial production fell at an annual rate of 2.2%. Durable goods orders increased 0.8% for March, following a downwardly revised 3.1% drop in February. Shipments of durable goods dropped 0.5% and unfilled orders fell 0.1%. Manufacturers are guardedly optimistic as reflected in a couple of noted purchasing managers' indexes. The Markit U.S. Manufacturing Purchasing Managers' Index™ was 51.5 for March--only slightly ahead of February's 51.3. The Institute for Supply Management PMI for March was 51.8%, showing expansion for the first time in six months.
- **Imports and exports:** Based on the advance report from the Census Bureau, the international trade in goods deficit was $56.899 billion in March, down from $62,864 billion in February. The trade in goods deficit for March is reflective of $116,733 billion of exports and $173,632 billion of imports. Based on advance figures, the trade in goods deficit for the first three months of 2016 sits at $181,991 billion. In a report from the Bureau of Labor Statistics, prices in March for U.S. imports increased 0.2% following February's 0.4% drop, primarily driven by an increase in fuel and lubricant prices, which jumped 4.9%. Excluding petroleum, import prices actually fell 0.2%. Despite the monthly increase, overall import prices remained down over the past year, falling 6.2% from March 2015. U.S. export prices recorded no change in March after falling 0.5% in February.
- **International markets:** Japan experienced a major earthquake on April 14, killing many and forcing the evacuation of thousands of Japanese. It is not certain what impact the devastating earthquake will have on Japan's major industries, but it's sure to affect manufacturing as well as imports and exports. Greece

and its creditors continued negotiations over further austerity measures to be implemented by the country in exchange for additional loans and debt relief. The European Central Bank maintained its interest rates as the benchmark rate remained at 0%. The GDP in Great Britain fell to 0.4% in the first quarter, while China's GDP growth weakened to 6.7%. Sixteen major oil producers were unable to come to an agreement on reducing oil production, likely leading to continued weakness in crude oil prices.

- **Consumer sentiment:** The Conference Board Consumer Confidence Index® for April fell to 94.2 from March's revised 96.1, driven by low expectations for future job availability. The University of Michigan's Index of Consumer Sentiment fell to 89 in April, compared with 91.0 in March as consumer expectations for an improving economy continue to wane.

Eye on the Month Ahead

The start of the second quarter saw the markets recover from their end-of-year regression. However, the economy as a whole hasn't picked up steam as noted by the FOMC following its April meeting. As we wind through May, all eyes will be on important economic indicators such as the GDP, residential housing, labor, and consumer spending in an attempt to determine the direction of the economy heading into the summer months.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: 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). 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. 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. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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