MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 11/6/15

THE WEEK IN REVIEW

The S&P 500 Index finished this week at 2099, an advance of nearly 0.95% from last Friday's close. Aggregate bonds, which are susceptible to increases in 10-year Treasury bond yields, declined on the week. The Barclays Aggregate Bond Index dropped 0.38% while the 10-year Treasury yield increased to 2.34% from 2.15% last Friday. This week's positive economic reports have shifted expectations for the first rate hike. Much of the investment community had been placing lower odds on a December rate hike, but with today's jobs report traders now see a 70% chance the Fed will raise rates at its December meeting.

Friday's nonfarm payrolls report indicated a strengthening labor market, as the unemployment rate declined to 5.0% and average hourly earnings for private payroll employees increased the most since 2009. The economy added 271,000 jobs, nearly all of which were generated by the private sector. The results sailed past consensus estimates of 180,000. The most encouraging part of the report, aside from a continued decline in the unemployment rate, was that average hourly earnings increased nearly 2.5%, the strongest year-over-year pace since August 2009. This is important because rising wages are a sign of greater labor market utilization, which typically results from less economic slack.

Third quarter productivity was also released this week. Nonfarm productivity increased 0.40% from one year ago, while hourly compensation increased 2.40%. The result was that unit labor costs increased 2.0% from the year ago period. The increase in unit labor costs hinders profitability and indicates that labor compensation is outpacing labor productivity.

For the third month running, the ISM Manufacturing Index narrowly avoided contraction with a reading of 50.1 for the month of October, below the 50.2 for September and 51.1 for August. Readings below 50 indicate contraction in the index, which has been hurt by a strong dollar and a slowdown in American energy producer investment. The new orders component of the index was up almost 2 points to 52.9, but manufacturing employment is in contraction, down nearly 3 points to 47.6.

ISM's Non-Manufacturing Index came in well ahead of consensus expectations, rising almost 2.5 points to 59.1. Consensus expectations were around 57.5 on the high end, and averaged 56.7. New orders were up more than 5 points to 62, and exports were up 2 points to 54.5, a strong showing for the country's services surplus. Employment was also strong with a reading of 59.2. The report showed strength across many industries, with only the non-service industries showing mixed results.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,910.33	1.40%	0.49%	2.03%
NASDAQ	5,147.12	1.85%	8.68%	10.97%
S&P 500 LargeCap	2,099.20	0.95%	1.96%	3.35%
S&P 400 MidCap	1,463.32	1.28%	0.75%	2.37%
S&P 600 SmallCap	708.39	2.78%	1.91%	4.34%
MSCI EAFE	1,758.31	-0.75%	-0.93%	-2.54%
MSCI Emerging Markets	864.14	1.92%	-9.64%	-12.83%
Barclays Aggregate US		-0.38%	0.76%	1.76%
Bloomberg Non-US Govt Bond		0.03%	-0.51%	0.73%
Bloomberg US Treasury Index		-0.57%	0.88%	2.10%
Bloomberg High Yield Index		0.36%	1.48%	-1.38%
FTSE/NAREIT All REIT Index		-1.88%	-3.76%	-1.37%
Bloomberg Commodity Index		-2.51%	-18.30%	-27.15%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.08%	0.00%	0.03%
2-Year Treasury	0.90%	0.61%	0.54%
5-Year Treasury	1.73%	1.34%	1.67%
10-Year Treasury	2.34%	2.05%	2.39%
30-Year Treasury	3.09%	2.88%	3.09%
Municipal Bond Yields (10 Yr)	2.16%	2.08%	2.20%

Price return as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

UPCOMING WEEK

Next week will be less busy on the economic front. Some notable reports to follow include the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), producer price index readings, and consumer sentiment. These reports will shed further light on the health of the labor market, inflation pressures, and consumer confidence.