



THE WEEK IN REVIEW

Stocks fell this week as a 9.97% plunge in China's Shanghai Composite Index dragged down global markets. Multiple factors pressured Chinese stocks this week; these factors included weak manufacturing and non-manufacturing data, Friday's originally scheduled expiration of a previously implemented policy that prevented shareholders owning 5% or more of a company from selling, and the Chinese central bank's decision to fix the yuan at its weakest level in five years. Trading in China's stock market was suspended on Monday and Thursday after triggering a new circuit breaker system which suspends daily trading after a 7% intra-day decline. After the markets closed Thursday, Chinese regulators suspended the use of circuit breakers, saying it did not work as expected and exacerbated stock losses. Regulators also revised their policy on large shareholders to allow them to sell up to 1% of their holdings over the next three months.

U.S. car sales set a new record in 2015 with 17.47 million vehicles, breaking the previous record of 17.41 million vehicles in 2000. Low gasoline prices, low interest rates, and moderate economic growth helped car sales increase 5.7% in 2015. Some forecasters are predicting 2016 to be another record year and it is anticipated sales will begin to decline in 2017 due to the expectation of higher interest rates and excess supply of quality used cars.

Two important economic indicators released this week were the Institute of Supply Management (ISM) manufacturing and non-manufacturing reports on business conditions. On Monday, the markets learned that the overall manufacturing sector contracted for a second consecutive month declining to 48.2 from 48.6 a month earlier. December's report was the lowest reading of 2015 and recent trends indicate that the direction of the overall index is contracting at a faster rate; however, the index indicates that the overall economy advanced for a 79th consecutive month. Two days later, the non-manufacturing report was modestly more upbeat. The biggest drag on the index in December was supplier deliveries, which dropped to 48.5 from 53.0 last month indicating that deliveries are occurring at a faster pace. Overall, both reports continue to indicate growth in overall U.S. GDP and non-manufacturing ISM of 55.3% correspond to annualized real GDP of 2.6% and 2.8%, respectively.

Also released this week was the Bureau of Labor Statistics (BLS) payroll employment report. The report showed nonfarm payroll employment increased by 292,000 and the unemployment rate remained at 5.0%. The increase in employment far exceeded consensus estimates of 200,000. Average hourly earnings accelerated on a year-over-year basis, rising at a 2.5% rate versus 2.3% in November.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	16,346.45	-6.19%	-6.19%	-8.72%
NASDAQ	4,643.63	-7.26%	-7.26%	-1.95%
S&P 500 LargeCap	1,922.03	-5.96%	-5.96%	-6.79%
S&P 400 MidCap	1,308.48	-6.44%	-6.44%	-9.96%
S&P 600 SmallCap	623.42	-7.20%	-7.20%	-9.28%
MSCI EAFE	1,622.58	-5.46%	-5.46%	-6.42%
MSCI Emerging Markets	738.86	-6.97%	-6.96%	-22.94%
Barclays Aggregate US		0.53%	0.53%	0.41%
Bloomberg Non-US Govt Bond		0.04%	0.04%	-2.86%
Bloomberg US Treasury Index		0.67%	0.67%	0.31%
Bloomberg High Yield Index		-0.09%	-0.09%	-2.95%
FTSE/NAREIT All REIT Index		-2.90%	-2.90%	-8.68%
Bloomberg Commodity Index		-2.33%	-2.33%	-25.97%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.20%	0.27%	0.03%
2-Year Treasury		0.94%	0.94%	0.62%
5-Year Treasury		1.57%	1.68%	1.50%
10-Year Treasury		2.13%	2.24%	2.03%
30-Year Treasury		2.91%	2.97%	2.59%
Municipal Bond Yields (10 Yr)		1.81%	2.07%	1.97%

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

UPCOMING WEEK

Earnings season for the fourth quarter of 2015 will begin next Monday when Alcoa (AA) reports after the close. Earnings for the S&P 500 are expected to be down 7.3% from a year earlier and revenue down 4.6%. If analyst expectations are correct, it will be the third straight quarter of earnings declines. Next Friday will be a busy day for economic data with releases on retail sales, consumer sentiment, industrial production, and producer prices. Retail sales for December will likely receive the most attention.

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