MAINSTREET ADVISORS

# FINANCIAL MARKET UPDATE 1/15/16

## THE WEEK IN REVIEW

Job openings rose and overall hiring was up in November. The Job Openings and Labor Turnover Survey (JOLTs) showed 5.43 million job openings for November, up from 5.34 million in October. Additionally, 5.20 million people were hired, up from 5.17 million, and 2.83 million quit their jobs, signaling workers' confidence in the current job market. Initial jobless claims, which provide more up-to-date data, rose by 7,000 for the first full week of January to 284,000. While slightly less positive than numbers in the JOLTs report, any number less than 300,000 is generally regarded as a sign of a healthy labor market, and it's possible the increase could be related to the release of seasonal holiday workers.

Retail sales fell 0.1% in December, slightly better than the 0.2% decline economists were expecting. With the drop, retail sales grew at just 2.1% for the full year, the slowest pace since 2009 and comparable to the 5.1% annual average from 2010 to 2014. Falling gasoline sales accounted for a large portion of the slowdown in performance, as sales rose 3.9% excluding the volatile commodity. Producer prices fell 0.2% in December as measured by the Producer Price Index, in line with analysts' expectations. Producer prices were down 1.0% for the full year, again largely related to the fall in the price of gasoline, and excluding this, prices were up 0.3%. Finally, industrial production fell 0.4% in December, more than the 0.2% economists were expecting, led by cutbacks in mining and utilities.

Stocks around the globe endured another rough week. The S&P 500 closed down 2.2%, marking the third consecutive week of losses, the Shanghai Composite recorded an 8.8% loss on the week, and the FTSE 100 sank more than 2%. This was the first week since China suspended its newly implemented circuit breaker system originally designed to help stabilize the stock market.

Investors continue to be scared off by weak global markets and oil. Many of these indexes have been following the lead from China and crude oil, which dropped to 12-year lows at below $30 a barrel. This was likely due to weak manufacturing data out of China, who consumes about 12% of the crude oil in the world, and a continuing oversupply of oil. China was demanding 510,000 barrels per day last year, compared to 300,000 per day this year. The IAEA is expected to lift sanctions against Iran, who plans on surging their oil exports to upwards of 500,000 barrels per day shortly after their sanctions are lifted.

The slide in oil prices and equities has led to a flight to safety, as U.S. 10-year Treasury yields briefly dropped below 2% Friday, the lowest level since early October. This is in large part due to the perceived safety that U.S. government debt gives global investors.

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|---|---|---|---|---|
| DJ Industrial Average | 15,988.08 | -2.19% | -8.25% | -7.69% |
| NASDAQ | 4,488.42 | -3.34% | -10.36% | -1.80% |
| S&P 500 LargeCap | 1,880.29 | -2.17% | -8.01% | -5.64% |
| S&P 400 MidCap | 1,269.84 | -2.99% | -9.21% | -10.00% |
| S&P 600 SmallCap | 608.63 | -2.37% | -9.40% | -8.68% |
| MSCI EAFE | 1,583.71 | -1.68% | -7.72% | -9.24% |
| MSCI Emerging Markets | 723.15 | -2.29% | -8.94% | -24.67% |
| Barclays Aggregate US | | 0.08% | 0.72% | -0.35% |
| Bloomberg Non-US Govt Bond | | -0.13% | -0.27% | -3.60% |
| Bloomberg US Treasury Index | | 0.30% | 1.09% | 0.08% |
| Bloomberg High Yield Index | | -1.31% | -1.39% | -4.45% |
| FTSE/NAREIT All REIT Index | | -3.05% | -5.83% | -12.38% |
| Bloomberg Commodity Index | | -4.22% | -6.46% | -27.75% |

| KEY BOND RATES | WEEK | 1 MO AGO | 1 YR AGO |
|---|---|---|---|
| 3-Month T-Bill | 0.24% | 0.25% | 0.03% |
| 2-Year Treasury | 0.85% | 0.98% | 0.44% |
| 5-Year Treasury | 1.46% | 1.71% | 1.22% |
| 10-Year Treasury | 2.03% | 2.28% | 1.77% |
| 30-Year Treasury | 2.81% | 3.00% | 2.40% |
| Municipal Bond Yields (10 Yr) | 1.82% | 2.06% | 1.83% |

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

## UPCOMING WEEK

Markets are closed on Monday in observance of the Martin Luther King, Jr. holiday, and economic releases will be light for the remainder of the week. The Consumer Price Index for December is out Wednesday and expectations are for a drop of 0.1%, versus unchanged in November. Core CPI, excluding the more volatile components of energy and food, is expected to increase 0.1%. Housing starts are also out on Wednesday with expectations for an increase to a 1.19 million annual rate. Existing home sales are due out Friday and are also expected to increase, up to a 5.15 million annual rate from 4.76 million in November.