MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 4/1/16

THE WEEK IN REVIEW

Earlier this week, Federal Chair Janet Yellen stated the U.S. economy remains on track despite a rough start to the year, as the drag from weak growth in other countries was being offset by lower borrowing costs. Speaking to the Economic Club of New York Tuesday, Yellen said that the economy "had proven remarkably resilient," and the Fed expected better days ahead. She maintained the Fed's position to pursue a careful, patient course toward higher interest rates as the economy improves. The cautious tone of her remarks, however, suggest a rate increase is unlikely at the Fed's next meeting later this month, shifting the focus to its subsequent meeting in June. The FOMC indicated after its most recent meeting it now forecasts a total increase of half a percentage point, down from the full percentage point increase they predicted at the beginning of the year. Yellen attributed the deceleration to a judgment by Fed officials that somewhat lower rates were necessary to maintain steady growth.

The U.S. economy gained 215,000 jobs in March, according to the Bureau of Labor Statistics. The unemployment rate rose slightly to 5%, up from 4.9% in the previous month, but analysts say it was a positive indication as growth in participation mostly accounted for the increase rather than job losses. The jump in participation for March was the sixth consecutive monthly increase, a sign of a real shift, not a statistical blip. At the same time, the labor force itself grew by more than the number of job seekers, suggesting that many of those re-entrants were going directly to work rather than spending a long time looking for employment.

The number of U.S. workers who applied for new employment benefits rose last week, but remains at a historically low level consistent with an improving labor market. Initial claims for jobless benefits increased by 11,000 to a seasonally adjusted 276,000 in the week ended March 26, according to the Labor Department. Despite the number of claims increasing for the third straight week, it was the 56th consecutive week initial jobless claims remained below 300,000, extending the longest streak below that threshold since 1973.

Consumer confidence rose to 96.2 in March, up from the revised February consensus of 94. The jump in consumer confidence can be attributed to job growth and stocks rallying, more than offsetting increasing gas prices. Auto purchase plans are down, while appliances are up. Consumer expectations for the next six months rose to 84.7 from 79.9 in the month prior.

U.S. factory activity increased in March for the first time in six months. The Institute for Supply Management revealed that activity increased to 51.8 in March from 49.5 in February. Readings above 50 indicate sector activity is expanding.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,792.75	1.58%	2.11%	0.53%
NASDAQ	4,914.54	2.95%	-1.85%	0.70%
S&P 500 LargeCap	2,072.78	1.82%	1.41%	0.64%
S&P 400 MidCap	1,451.59	2.67%	3.79%	-4.43%
S&P 600 SmallCap	688.10	3.27%	2.44%	-4.27%
MSCI EAFE	1,652.04	1.76%	-3.74%	-10.79%
MSCI Emerging Markets	836.80	3.01%	5.37%	-14.87%
Barclays Aggregate US		0.62%	3.03%	1.65%
Bloomberg Non-US Govt Bond		0.80%	5.26%	0.94%
Bloomberg US Treasury Index		0.68%	3.18%	2.25%
Bloomberg High Yield Index		0.15%	3.69%	-2.49%
FTSE/NAREIT All REIT Index		2.92%	4.86%	-0.23%
Bloomberg Commodity Index		-1.65%	-0.79%	-21.98%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.22%	0.33%	0.02%
2-Year Treasury	0.75%	0.85%	0.66%
5-Year Treasury	1.23%	1.31%	1.57%
10-Year Treasury	1.78%	1.83%	2.08%
30-Year Treasury	2.60%	2.70%	2.67%
Municipal Bond Yields (10 Yr)	1.75%	1.77%	1.98%

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

UPCOMING WEEK

The factory orders report will be released on Monday, providing insight into current demand for goods. Tuesday will be busy, as the ISM non-manufacturing index and international trade data will be released. February's Job Openings and Labor Turnover Survey (JOLTS) will be announced on Tuesday as well. FOMC minutes from their last meeting will be released on Wednesday, providing a more detailed description of Fed opinions.