MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 4/8/16

THE WEEK IN REVIEW

Despite trying to rally on Friday, the first full week of the second quarter saw stocks drop, with the S&P 500 down about 1.2%. Amid the decline in equities, investors fled to safety in the form of U.S. Treasuries, with the 10-year yielding falling to 1.72% at Friday's close. Much of the decline in stocks can be attributed to declining oil prices, as U.S. shale producers have proven more resilient in their ability to produce than previously anticipated. U.S. refineries were able to average 16.4 million barrels per day, up 199,000 barrels from the previous week. However, investors may be turning more bullish as equity funds recorded their first net inflows in three weeks, inflation-linked bond funds had their largest inflows in nearly a full year, and emerging market bond funds had their largest inflows in nearly two years.

On Tuesday, the JOLTS report came in with mixed data, despite job openings falling from 5.6 million in January to 5.45 million in February. Companies reported "very rapid payroll growth," according to Pantheon Macroeconomics. An increase in the hiring rate, up to 3.8% last month, was also positive news. The "quits rate," used to measure the willingness to leave one job for another, also rose to 2.1%. The 5.45 million level is the second highest level the report has seen since July of last year.

Jobless claims came in slightly below forecasts at 267,000, dropping by about 9,000 from last week, and breaking a three-week losing streak. The number of Americans applying for jobless benefits remains near historic lows, and this represents the 57th straight week with claims below 300,000, a streak that hasn't been seen since 1973.

This week another update on the health of services portion of the economy was released. The ISM non-manufacturing report indicated the services sector grew in March for the 74th consecutive month. With an index reading of 54.5, a rebound of 1.1 from last month, the trend is growing at a faster rate. The majority of respondents indicated the economy continues to grow at a slow and steady rate. Lastly, the Institute of Supply Management calculates that this month's reading of 54.5 corresponds to roughly a 2.2% annualized increase in real GDP. For those looking for improved GDP prospects this is one encouraging sign that the economy continues moving foward.

The market also digested the recent FOMC meeting minutes from the Fed's meeting on March 31. There were two distinct messages from the minutes: First, the Fed essentially dismissed an April interest rate increase, which the market had largely priced in, and second, the FOMC members expressed the view that it may be possible to move interest rates quicker than anticipated if conditions were such that the committee believed it was moving too slow. As always, the Fed's decision remains data dependent.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,576.96	-1.21%	0.87%	-2.13%
NASDAQ	4,850.69	-1.30%	-3.13%	-2.49%
S&P 500 LargeCap	2,047.60	-1.21%	0.18%	-2.08%
S&P 400 MidCap	1,427.22	-1.68%	2.05%	-6.79%
S&P 600 SmallCap	672.42	-2.28%	0.10%	-6.59%
MSCI EAFE	1,607.81	-0.52%	-6.32%	-15.10%
MSCI Emerging Markets	809.29	-2.05%	1.91%	-20.74%
Barclays Aggregate US		0.52%	3.52%	2.14%
Bloomberg Non-US Govt Bond		0.11%	5.47%	0.42%
Bloomberg US Treasury Index		0.65%	3.78%	2.58%
Bloomberg High Yield Index		0.15%	3.91%	-2.88%
FTSE/NAREIT All REIT Index		-0.44%	4.39%	-0.95%
Bloomberg Commodity Index		1.39%	0.60%	-20.35%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.23%	0.29%	0.03%
2-Year Treasury	0.70%	0.88%	0.54%
5-Year Treasury	1.16%	1.34%	1.35%
10-Year Treasury	1.72%	1.83%	1.92%
30-Year Treasury	2.55%	2.63%	2.53%
Municipal Bond Yields (10 Yr)	1.63%	1.83%	1.99%

Price returns 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 a light week for data releases. On Tuesday, Import and Export prices, as well as the federal budget will be released, followed by retail sales and PPI on Wednesday. On Thursday, the CPI and Core CPI will be released, followed by industrial production and consumer sentiment on Friday. Many eyes will be on the CPI and Core CPI release Thursday, with forecasts expecting the inflation measure to inch higher, by around 0.2%, after dropping in February.