MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 10/7/16

THE WEEK IN REVIEW

U.S. stocks fluctuated this week as mixed economic data weighed on share prices. The S&P 500 index closed down 0.67%. The closely watched Manufacturing ISM report rebounded in September, rising 2.1 points, from August and came in ahead of consensus estimates. New orders rose 6 points, which was the strongest segment within the index Additionally, September saw U.S. service companies expand at the fastest rate in almost a year. The ISM non-manufacturing index came in at 57.1, exceeding all forecasts, after the August reading was the lowest in more than six years. Both reports taken together, indicate that the pullback in August may have been an anomaly.

Friday started off on the wrong foot, with the U.S. economy adding only 156,000 jobs in September compared to projections of 170,000. This was the smallest gain since May and the unemployment rate ticked up to 5%. Overall, the report did little to change the possibility of a rate hike by the end of the year. Federal funds futures showed an approximately 66% chance of a rate increase by year-end, slightly up from yesterday's 63%. Finally, initial jobless claims fell more than expected, by 5,000 to 249,000. This marked the 83rd straight week that initial jobless claims remained below 300,000.

The pound fell on Monday after British Prime Minister Theresa May said the legal process to leave the European Union will begin before the end of March 2017. The pound continued to fall, hitting a 31 year low of $1.1841. Some traders attributed the extreme fall to algorithms increasing selling pressure at a time of day with relatively low liquidity. The pound recovered slightly to $1.2439. The good news regarding the weaker pound is that it can help support U.K. exports and thus economic growth.

Oil rose above $50 on Thursday for the first time since June. Prices have risen by 12% since OPEC reached an agreement to slash output for the first time in eight years. Prices fell Friday as Russia's Energy Minister Alexander Novak squashed hopes that a deal would be finalized in Istanbul early next week. Gold finished -4.62% for the week driven by increasing odds of tighter Fed policy by year-end, buoying the dollar. Gold closed the first half strong due to the Fed's decision to stand pat on interest rates and political risks associated with U.K.'s vote to leave the European Union.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing	51.5	53.2	▼
ISM Non-manufacturing	57.1	56.50	▲
Factory Orders	0.4%	-1.2%	▲
Nonfarm Payrolls	156000	271000	▼
Unemployment Rate	5.0%	4.9%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18240.49	-0.37%	4.68%	7.85%
NASDAQ	5292.41	-0.37%	5.69%	10.46%
S&P 500 LargeCap	2153.74	-0.67%	5.37%	7.91%
MSCI EAFE	1694.91	-0.40%	-1.25%	-2.00%
Barclays Aggregate US		-0.53%	5.23%	4.42%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.27%	0.34%	-0.01%
10-Year Treasury	1.59%	1.54%	2.07%

REPORTS DUE NEXT WEEK	LATEST
Job Openings (Millions)	5.871
Consumer Sentiment	91.2
Retail Sales	-0.3%
Producer Price Inflation	0.0%

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