



MONTHLY ECONOMIC UPDATE

May 2016

MONTHLY QUOTE

“If you have knowledge, let others light their candles at it.”

– *Margaret Fuller*

MONTHLY TIP

You may have “stray” retirement accounts at past employers. Rather than contend with multiple such accounts, think about rolling them into an individual retirement account (IRA) or into your current employer-sponsored retirement account, if permitted.

MONTHLY RIDDLE

This three-letter word signifies something you do each day; mix the letters around and you have a beverage you can drink. What word is this?

Last month's riddle:

A woman walks into a cabin one afternoon in Florida. That evening, she walks out of the same cabin, yet she is now in New York. How is this possible?

Last month's answer:

She steps into an airplane cabin in Florida in the afternoon and steps out of it a couple of hours later when the plane lands in

THE MONTH IN BRIEF

The Standard & Poor's 500 (S&P 500) managed to advance 0.27% in April as many companies beat earnings and revenue forecasts. Some important commodities posted remarkable monthly gains. Existing home sales rebounded, and manufacturing seemed to have recovered from its winter slump. Hiring continued to impress, but consumer spending figures and consumer confidence indices did not. All in all, it was a relatively calm month, absent of much of the volatility seen in the first quarter.¹

DOMESTIC ECONOMIC HEALTH

In early April, the Labor Department reported a net gain of 215,000 jobs in March, placing the average monthly net job increase at 209,000 for the first quarter. Since the labor force participation rate rose slightly in March, the unemployment rate ticked up 0.1% to 5.0%. The U-6 rate, including the underemployed, also rose 0.1% to 9.8%. The average hourly wage was \$25.43 in March, and that was 2.3% higher than in March 2015.²

By the initial estimate of the Bureau of Economic Analysis (BEA), the economy had grown only 0.5% in the opening quarter of 2016. That sluggish growth was underlined by the March personal spending number. The Commerce Department noted just a 0.1% rise in consumer spending in the year's third month; consumer incomes did grow by 0.4%, however. So, continuing a recent trend, Americans saved more of what they earned. Retail sales fell 0.3% in March; core retail purchases were up 0.2%.^{3,4}

Consumer prices rose just 0.1% in March, with the core Consumer Price Index (CPI) making the same small advance as the headline CPI. (Inversely, both the headline and core Producer Price Index, PPI, declined 0.1% for March.) The core CPI was up 2.2% on an annualized basis.⁴

The March numbers for the manufacturing and non-manufacturing purchasing manager indices maintained by the Institute for Supply Management (ISM) were encouraging. While the Bureau of Economic Analysis's (BEA's) initial first quarter (Q1) gross domestic product (GDP) estimate suggested an economy on stall speed, ISM's factory Purchasing Managers' Index (PMI) recaptured the 50 level in the third month of 2016, signaling growth for the factory sector. Its 51.8 mark was 2.3 points above its recessionary reading in February. ISM's services PMI improved 1.1 points to 54.5 in March, its best reading since December. In other news related to industry, the Census Bureau reported capital goods orders rising 0.8% in March; although, they were down 0.2% with transportation orders factored out.^{3,5}

Household sentiment declined last month. The University of Michigan's consumer sentiment index slipped 1.3 points in its preliminary April reading to 89.7, then fell further to a final April mark of 89.0. As for the Conference Board's consumer confidence index, it lost 1.9 points in April and fell to 94.2.^{3,4}

GLOBAL ECONOMIC HEALTH

As April drew to a close, the Bank of Japan (BoJ) decided not to bolster its economic stimulus. That decision disappointed investors, who figured on additional



New York.

measures. With annualized deflation of 0.1% measured in March, the BofJ pushed its goal of achieving 2% inflation into 2017. Elsewhere in Asia, China's central bank made its biggest yuan rate move in 11 years on April 28, sending the currency 0.56% higher in a day as the U.S. Dollar Index reach its lowest point since June 2015.^{6,7}

According to Eurostat, the eurozone's economy grew 0.6% in the first quarter (Q1). Data suggested that the long-beleaguered Spanish economy would expand 1.5% in the year's opening quarter. France's economy grew 0.5% in Q1; Italy's economy, 0.3%. As the eurozone unemployment rate dipped to 11.4% in March, Italy's jobless rate hit a four-year low. Unemployment in Germany stayed at an all-time low of 6.2% in April.^{6,8}

WORLD MARKETS

On the whole, European markets outperformed their Asia Pacific counterparts in April. The Europe Dow rose 2.97%; the Deutscher Aktien Index (DAX), 0.74%; the Cotation Assistée en Continu (CAC) 40, 1.00%; the stock index of Eurozone (STOXX) 600, 1.17%; the Financial Times Stock Exchange Milano Italia Borsa (FTSE MIB), 2.67%; the Índice Bursátil Español (IBEX) 35, 3.47%; and the Russian Trading System (RTS), a whopping 8.55%. Ireland's Irish Stock Exchange (ISEQ) staged the only notable retreat, losing 2.34%.¹

April winners in the Asia Pacific region included the Korea Stock Exchange (KSE) 100, +4.77%; the Hang Seng, +1.40%; the Sensex, +1.04%; the Asia Dow, +1.07%; and the Standard & Poor's (S&P)/Australia Securities Exchange (ASX) 200, which went +3.33%. Losers included the Shanghai Composite, -2.18%; the Nikkei 225, -0.55%; and the Kospi, -0.09%.¹

Benchmarks in the Americas were largely positive, some quite so. To our south, the Índice de Precios y Cotizaciones (IPC) All-Share fell 0.21%, but the Bolsa de Valores do Estado de São Paulo (Bovespa) rose 7.70% and the Mercado de Valores (Merval), 5.63%. To our north, the Toronto Stock Exchange (TSX) Composite advanced 3.39%. The Dow Jones Americas gained 0.94%; the Dow Jones Global Indices (DJGI), 2.69%; the Morgan and Stanley Capital Group International (MSCI) World, 1.38%; and the MSCI Emerging Markets, 0.40%.^{1,9}

COMMODITIES MARKETS

April brought some relief to beleaguered commodity investors. The energy sector was red hot in particular. Oil jumped 20.68%, settling at \$45.99 on the New York Mercantile Exchange (NYMEX) on April 29. Unleaded gas futures advanced 13.27%; natural gas futures, 9.02%; and heating oil futures, 17.38%.¹⁰

As for metals, gold rose 4.89% to close April at \$1,294.90 on the Commodity Exchange (COMEX), and silver ended the trading month at \$17.89 thanks to a 15.71% surge. Copper prices improved 4.17%; platinum prices, 10.34%.¹⁰

Coffee was the only notable loser among crops, falling 5.56%. Other key crops posted gains across the board: cotton rose 9.12%; sugar, 6.45%; cocoa, 7.99%; wheat, 1.48%; soybeans, 12.12%; corn, 10.98%. How did the U.S. Dollar Index do in April? It logged an 0.61% gain, settling at 95.21 on April 29.^{10,11}

REAL ESTATE

As temperatures warmed up, the residential real estate market heated up, as well. Existing home sales reversed some of their February decline in March when the National Association of Realtors (NAR) announced a 5.1% rise in the pace of



homebuying. The median sale price was at \$222,700 in March, representing a 5.7% annualized improvement. NAR's pending home sales index showed a 1.4% gain for March, which precisely matched its year-over-year advance. The yearly overall gain in the 20-city Standard & Poor's (S&P)/Case-Shiller home price index declined 0.3% to 5.4% in the February edition.^{3,12}

Housing indicators at the Census Bureau were resoundingly negative. New home sales fell off 1.5% for March. Groundbreaking declined by 8.8%.^{3,12}

Although they plunged in the middle of the month, mortgage interest rates rose as April ended. Freddie Mac's April 28 Primary Mortgage Market Survey calculated the following averages: 30-year fixed-rate mortgage (FRM), 3.66%; 15-year FRM, 2.89%; 5/1-year adjustable-rate mortgage (ARM), 2.86%. These were still all lower than the average interest rates reported by Freddie Mac on March 31: 30-year FRM, 3.71%; 15-year FRM, 2.98%; 5/1-year ARM, 2.90%.¹³

LOOKING BACK...LOOKING FORWARD

April ended with the Dow settling at 17,773.64, the National Association of Securities Dealers Automated Quotations (NASDAQ) at 4,775.36, and the Standard & Poor's (S&P) 500 at 2,065.30. As for the small caps and the so-called "fear index," the Russell 2000 Index (RUT) wrapped up the month at 1,130.84; the Chicago Board Options Exchange Volatility Index (CBOE VIX), at 15.70. For the month, the Dow Jones Industrial Average (DJIA) rose 0.50%; the S&P, 0.27%; the RUT, 1.51%; the Volatility Index (VIX), 12.54%; the NASDAQ slipped 1.94%. Looking across the broad canvas of U.S. indices, the Philadelphia Stock Exchange (PHLX) Gold/Silver index had another amazing month, rising 33.58% to reach 104.97% year-to-date (YTD). The NASDAQ Computer index brought up the rear, falling 6.26% in April.¹

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.00	-1.45	+7.75	+5.64
NASDAQ	-4.63	-4.94	+13.24	+10.56
S&P 500	+1.05	-1.97	+10.29	+5.76
REAL YIELD	4/29 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.12%	0.14%	0.75%	2.39%

Sources: wsj.com, bigcharts.com, treasury.gov – 4/29/16^{1,14,15,16}
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.

At the end of April, the first quarter (Q1) earnings season looked better than some analysts predicted. While some of the tech giants disappointed their shareholders during the month, only 15% of Standard & Poor's (S&P) 500 firms reporting missed earnings expectations (the historical norm is 24%). Additionally, 73% of S&P 500 firms reporting results surpassed earnings forecasts (66% is the historical average). Investors thinking of "selling in May and going away" might want to reconsider, given the recent climb of commodities, the rebound in manufacturing and the continued strength of the labor market. June could be a more tumultuous month than May: the United Kingdom will vote on whether or not to remain in the European Union, and the Fed could make a rate move. While Wall Street's solid rally back from February lows has subsided, bearish sentiment has not yet cowed the bulls. Last May, stocks hit record highs; with some luck, they may approach them again.¹⁷



VISIONPOINT

PLAN. PROTECT. INVEST.

UPCOMING ECONOMIC RELEASES: Across May, the major U.S. economic news will appear on this timetable: the April Automatic Data Processing (ADP) employment change report, Institute for Supply Management's (ISM's) April service sector Purchasing Managers' Index (PMI) and March factory orders (5/4), April's Challenger job-cut report (5/5), the Labor Department's April employment report (5/6), March wholesale inventories (5/10), April retail sales, the April Producer Price Index (PPI), April business inventories and the initial May University of Michigan consumer sentiment index (5/13), April housing starts and building permits, April industrial output and the April Consumer Price Index (CPI) (5/17), the minutes from the April Federal Reserve policy meeting (5/18), April existing home sales (5/20), April new home sales (5/24), April durable goods orders and April pending home sales (5/26), the University of Michigan's final May consumer sentiment index and the Bureau of Economic Analysis' (BEA's) second estimate of first quarter (Q1) growth (5/27), and then to wrap up May, a new consumer confidence index from the Conference Board, the March Standard & Poor's (S&P)/Case-Shiller home price index, and the April consumer spending report from the Commerce Department (5/31).



Securities offered through LPL Financial. Member FINRA/SIPC. Investment advice offered through VisionPoint Advisory Group, a registered investment advisor and separate entity from LPL Financial.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. MarketingPro, Inc. is not affiliated with any broker or brokerage firm that may be providing this information to you. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is not a solicitation or recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. All economic and performance data is historical and not indicative of future results. Market indices discussed are unmanaged. Investors cannot invest in unmanaged indices. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

Citations.

- 1 - wsj.com/mdc/public/page/2_3023-monthly_gblstkidx.html [4/29/16]
- 2 - forbes.com/sites/samanthasharf/2016/04/01/jobs-report-215000-jobs-added-in-march-unemployment-rate-higher-at-5 [4/1/16]
- 3 - tradingeconomics.com/united-states/calendar [4/30/16]
- 4 - investing.com/economic-calendar/ [4/30/16]
- 5 - instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm? [4/5/16]
- 6 - seekingalpha.com/article/3968857-wall-street-breakfast-boj-roils-markets-expanding-stimulus [4/28/16]
- 7 - blogs.barrons.com/asiastocks/2016/04/28/the-dollar-index-falls-to-8-month-low-pboc-raises-yuan-fix-most-since-2005/ [4/28/16]
- 8 - seekingalpha.com/article/3969447-wall-street-breakfast-china-pulls-big-yuan-move [4/29/16]
- 9 - msci.com/end-of-day-data-search [4/29/16]
- 10 - money.cnn.com/data/commodities/ [4/30/16]
- 11 - marketwatch.com/investing/index/dxy/historical [4/29/16]
- 12 - investors.com/news/economy/existing-home-sales-rise-in-march-as-tight-supply-lifts-prices/ [4/20/16]
- 13 - freddiemac.com/pmms/archive.html?year=2016 [4/28/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=4%2F29%2F15&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=4%2F29%2F15&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=4%2F29%2F15&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=4%2F29%2F11&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=4%2F29%2F11&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=4%2F29%2F11&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=4%2F28%2F06&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=4%2F28%2F06&x=0&y=0 [4/29/16]
- 14 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=4%2F28%2F06&x=0&y=0 [4/29/16]
- 15 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield [4/29/16]
- 16 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [4/29/16]
- 17 - usatoday.com/story/money/columnist/krantz/2016/04/28/ask-matt-earnings-season-bad-seems/83602994/ [4/28/16]