

WEEKLY ECONOMIC UPDATE

February 8, 2016

WEEKLY QUOTE

“You gain strength, courage and confidence by every experience in which you really stop to look fear in the face.”
- Eleanor Roosevelt

WEEKLY TIP

If you want to leave some of your IRA to your children, a Roth IRA conversion may be a great idea: the IRA they inherit could realize further tax-free growth.

WEEKLY RIDDLE

When you lack me, you feel a sort of gloom. When you use me, it is time you consume. What am I?

Last week's riddle:

Karen parks her car beside a hotel and instantly recognizes that she is bankrupt. How does she know this?

Last week's answer:

She is playing Monopoly.

UNEMPLOYMENT NOW BELOW 5%

Although the economy added just 151,000 jobs in January, the Labor Department's latest employment report also showed a reduction in the headline jobless rate to 4.9%. The broader U-6 measure of underemployment remained at 9.9%. Monthly payroll gains have averaged 231,000 since November; in fact, the 3-month, 6-month, and 12-month job creation averages are now all above 200,000.¹

CONSUMER SPENDING FLATTENED IN DECEMBER

Personal incomes rose 0.3% in the final month of 2015, but the Commerce Department recorded no corresponding personal spending advance. The good news? The personal savings rate reached 5.5%, a 3-year high.²

MANUFACTURING SLOWDOWN CONTINUES

The Institute for Supply Management's purchasing manager index for the factory sector came in at 48.2 for January, 0.2 points higher than the previous reading, but still well under the 50 mark. U.S. manufacturing has now contracted for four straight months. ISM's non-manufacturing PMI dipped 2.3 points in January, but still showed expansion at 53.5.^{2,3}

OIL PRICES & STOCK INDICES DECLINE

Oil closed Friday at \$30.89 on the NYMEX, down 8.1% in five days. That and earnings disappointments lead to sizable weekly descents: the Dow lost 1.59% to 16,204.83; the Nasdaq, 5.44% to 4,363.14; the S&P 500, 3.10% to 1,880.02.^{4,5}

THIS WEEK: Hasbro, Lennox International, Loews, 21st Century Fox, and Yelp announce earnings Monday. Tuesday, earnings news arrives from Akamai, Baidu, Coca-Cola, CVS Health, Goodyear, Ingersoll-Rand, Martin Marietta, NCR, Panera, Spirit Airlines, Viacom, Walt Disney Co., WellCare, Wendy's, Western Union, and Wyndham Worldwide. Federal Reserve chair Janet Yellen begins two days of testimony on monetary policy in Congress Wednesday; investors will keep an eye on that and earnings from Aramark, Cisco, Expedia, Humana, iRobot, LifeLock, LoJack, O'Reilly Automotive, Omega Healthcare, Owens Corning, Tesla Motors, Time Warner, Twitter, Whole Foods, and Zynga. Thursday brings earnings from Activision Blizzard, Avon, Coca-Cola Enterprises, Diebold, Groupon, Huntsman, Invacare, Kellogg, Molson Coors, Pandora, Peabody Energy, Penske, PepsiCo, TripAdvisor, Verisign, Vonage, and W.R. Grace, in addition to initial claims figures. Friday, the University of Michigan's initial February consumer sentiment index appears, plus January retail sales figures and earnings from ITT and Red Robin.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-7.00	-9.39	+6.80	+5.01
NASDAQ	-12.87	-8.44	+11.51	+9.32
S&P 500	-8.02	-8.85	+8.68	+4.86
REAL YIELD	2/5 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.53%	0.13%	1.30%	2.00%

Sources: wsj.com, bigcharts.com, treasury.gov - 2/5/16^{6,7,8,9}

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.

**Please feel free to forward this article to family, friends or colleagues.
If you would like us to add them to our distribution list, please reply with their address.
We will contact them first and request their permission to add them to our list.**

«Representative Disclosure»

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. Please note - investing involves risk, and past performance is no guarantee of future results. 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. 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 neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is not possible to invest directly in an index. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. 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 - forbes.com/sites/samanthasharf/2016/02/05/mixed-jobs-report-151000-jobs-added-in-january-unemployment-rate-down-to-4-9/ [2/5/16]
- 2 - nytimes.com/2016/02/02/business/economy/factory-activity-falls-for-4th-straight-month-but-construction-edges-up.html [2/2/16]
- 3 - briefing.com/investor/calendars/economic/2016/02/01-05 [2/5/16]
- 4 - marketwatch.com/story/crude-prices-steady-as-a-weak-dollar-lends-support-2016-02-05/ [2/5/16]
- 5 - markets.on.nytimes.com/research/markets/usmarkets/usmarkets.asp [2/5/16]
- 6 - markets.wsj.com/us [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=2%2F5%2F15&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=2%2F5%2F15&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=2%2F5%2F15&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=2%2F4%2F11&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=2%2F4%2F11&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=2%2F4%2F11&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=2%2F6%2F06&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=2%2F6%2F06&x=0&y=0 [2/5/16]
- 7 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=2%2F6%2F06&x=0&y=0 [2/5/16]
- 8 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield [2/5/16]
- 9 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [2/5/16]

~ Jeff@LundstromGroup.com 800.627.6722 ~