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# Market Week: October 31, 2016



## The Markets (as of market close October 28, 2016)

As the presidential election draws near, news about the candidates may be affecting the markets. Word of an FBI investigation into more Clinton emails, coupled with some earnings reports that were weaker than expected, sent equities into the red for the week. Of the indexes listed here, only the Dow posted a gain over the prior week, albeit less than 1.0%. The Nasdaq and Russell 2000 fell back a bit, dropping 1.28% and 2.50%, respectively. Gold climbed 0.8%, while the price of crude oil, which had been over \$50 per barrel, dropped almost 5.0%.

The price of crude oil (WTI) fell by last week's end, closing at \$48.64 per barrel, down from the prior week's price of \$51.0 per barrel. The price of gold (COMEX) increased, closing at \$1,277.00 by late Friday afternoon, up from the prior week's price of \$1,266.70. The national average retail regular gasoline price decreased to \$2.243 per gallon on October 24, 2016, \$0.014 less than the prior week's price but \$0.015 more than a year ago.

Market/Index	2015 Close	Prior Week	As of 10/28	Weekly Change	YTD Change
<b>DJIA</b>	17425.03	18145.71	18161.19	0.09%	4.22%
<b>Nasdaq</b>	5007.41	5257.40	5190.10	-1.28%	3.65%
<b>S&amp;P 500</b>	2043.94	2141.16	2126.41	-0.69%	4.03%
<b>Russell 2000</b>	1135.89	1218.10	1187.61	-2.50%	4.55%
<b>Global Dow</b>	2336.45	2449.62	2449.11	-0.02%	4.82%
<b>Fed. Funds target rate</b>	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
<b>10-year Treasuries</b>	2.26%	1.73%	1.85%	12 bps	-41 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Headlines

- The first estimate of the third-quarter GDP exceeded expectations, increasing at an annual rate of 2.9% — the fastest growth rate in two years. The second-quarter GDP increased by 1.4%. There are three estimates for each quarterly GDP report, with each estimate based on more complete economic data, so the annual growth rate may change with subsequent reports. The biggest driver of the increase in the GDP was personal consumption expenditures, which rose 2.1% — a much slower rate of growth than the 4.3% gain during the second quarter. According to the Bureau of Economic Analysis report, the increase in real GDP growth in the third quarter reflected an upturn in private inventory investment, an acceleration in exports, a smaller decrease in state and local government spending, and an upturn in federal government spending.
- In the manufacturing sector, the report on durable goods orders is important as it shows the number of new orders placed with U.S. manufacturers. Last week's advance report for September projects a

## Key Dates/Data Releases

10/31: Personal income and outlays

11/1: PMI Manufacturing Index, ISM Manufacturing Index

11/2: FOMC meeting announcement

11/3: ISM Non-Manufacturing Index

11/4: Employment situation, international trade

decrease of \$0.3 billion, or 0.1%, in new orders for manufactured durable goods (expected to last at least three years). A decrease in orders for transportation equipment drove the overall decrease. Excluding transportation, new orders increased 0.2%. Excluding defense, new orders increased 0.7%. On the other hand, shipments of durable goods in September increased \$0.2 billion, or 0.8%, led by a jump in shipments of transportation equipment. As new orders slow, manufacturers draw down unfilled orders to keep shipments moving. Unfilled orders fell 0.4% in September for the fifth consecutive monthly decrease. Overall, the manufacturing sector continues to be relatively flat, with weakness in global demand for domestic products.

- Employer costs increased for the third straight quarter, according to the latest figures released by the Bureau of Labor Statistics. Compensation costs increased 0.6% for the third quarter, as wages and salaries rose 0.5%, and benefits increased 0.7%. Compensation costs for civilian workers increased 2.3% for the 12-month period ended in September 2016. In September 2015, compensation costs increased 2.0%. On the year, wages and salaries increased 2.4%, while benefit costs increased 2.3%. Growth in wages and salaries has been steady, but certainly not spectacular, over the past couple of years.
- The Census Bureau's advance report on international trade in goods for September saw the trade deficit fall roughly \$3.1 billion from \$59.149 billion in August to \$56.083 billion in September. Exports of goods for September were \$125.6 billion, \$1.1 billion more than August exports. Imports of goods for September were \$181.7 billion, \$2.0 billion less than August imports.
- New home sales picked up in September. The Census Bureau reported that sales of new single-family homes were at an annual rate of 593,000, 3.1% above the August rate of 575,000 and 29.8% above the September 2015 estimate of 457,000 houses for sale. The median sales price of new houses sold in September 2016 was \$313,500; the average sales price was \$377,700. The seasonally adjusted estimate of new houses for sale at the end of September was 235,000. This represents a supply of 4.8 months at the current sales rate.
- Consumer confidence in current business and employment conditions waned, as did consumers' short-term outlook on economic conditions. The Conference Board Consumer Confidence Index® declined in October following an increase September. The index fell from 103.5 in September to October's 98.6. Following suit, the University of Michigan's Surveys of Consumers also shows consumer confidence fell in October as the Index of Consumer Sentiment dropped to 87.2, down from September's 91.2. This is the lowest level since October 2014.
- In the week ended October 22, the advance figure for seasonally adjusted initial unemployment insurance claims was 258,000, a decrease of 3,000 from the previous week's revised level. The advance seasonally adjusted insured unemployment rate remained at 1.5%. The advance number for seasonally adjusted insured unemployment during the week ended October 15 was 2,039,000, a decrease of 15,000 from the previous week's revised level.

## Eye on the Week Ahead

Economic news this week focuses on the Federal Open Market Committee meeting and the employment figures for October. While the Committee has hinted that interest rates might be raised by the end of the year, it is not expected to happen at this meeting. Employment figures for October are out this week. The employment sector has been steady, with 156,000 new jobs added in September. Payroll has increased only marginally, while the unemployment rate has remained at about 5.0%.

*Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices*

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*listed are unmanaged and are not available for direct investment.*

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