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Market Week: November 7, 2016



The Markets (as of market close November 4, 2016)

Even a good jobs report wasn't enough to steady investors last week, as each of the indexes listed here lost value from the prior week. Oil prices fell sharply midweek following a report that crude oil inventories are much larger than expected. While OPEC leaders agreed to reduce production following a September meeting, several countries sought and received exemptions from the cut, prompting crude oil production to increase. Crude oil prices continued to drop, closing the week 10.0% below the previous week's closing price. With oil prices falling, energy shares tumbled, leading to drop-offs in the large-cap indexes such as the S&P 500. The Nasdaq, Russell 2000, and Global Dow each lost over 2.0% on the week, while the Dow fell 1.50%. The Nasdaq, which had been up over 6.0% year-to-date in early October, is close to its 2015 year-end value. Prices increased on 10-year Treasuries as yields dropped. Gold had a good week, climbing 2.2%. It appears the tight U.S. presidential election is prompting investors to exercise caution for now.

The price of crude oil (WTI) fell by last week's end, closing at \$44.13 per barrel, down from the prior week's price of \$48.64 per barrel. The price of gold (COMEX) increased, closing at \$1,305.60 by late Friday afternoon, up from the prior week's price of \$1,277.00. The national average retail regular gasoline price decreased to \$2.230 per gallon on October 31, 2016, \$0.013 less than last week's price but \$0.006 more than a year ago.

Market/Index	2015 Close	Prior Week	As of 11/4	Weekly Change	YTD Change
DJIA	17425.03	18161.19	17888.28	-1.50%	2.66%
Nasdaq	5007.41	5190.10	5046.37	-2.77%	0.78%
S&P 500	2043.94	2126.41	2085.18	-1.94%	2.02%
Russell 2000	1135.89	1187.61	1163.44	-2.04%	2.43%
Global Dow	2336.45	2449.11	2390.21	-2.40%	2.30%
Fed. Funds target rate	0.25%-0.50%	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps
10-year Treasuries	2.26%	1.85%	1.77%	-8 bps	-49 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 jobs report for October was a mixed bag of information, but most of it was positive. There were 161,000 new jobs added in October, down from September's upwardly revised total of 191,000. The unemployment rate fell 0.1 percentage point to 4.9%. Employment continued to trend upward in health care, professional and business services, and financial activities. But the big news from the report is on the earnings side, where average hourly earnings increased \$0.10 to \$25.92, following an \$0.08 gain in September. Over the year, average hourly earnings have risen by 2.8%.
- In a move that was not unexpected, the Fed decided to maintain the federal funds rate at its current

Key Dates/Data Releases

11/8: JOLTS

11/10: Treasury budget

11/11: Consumer sentiment

0.25%-0.50% range. While the Committee acknowledges that the case for an increase in the federal funds rate has continued to strengthen, it decided, for the time being, to wait for some further evidence of continued progress toward further improvement in labor market conditions and a return to 2.0% inflation. Unless economic conditions worsen over the course of the next several weeks, it is expected that the Committee will raise interest rates following its last meeting of the year in December.

- An indicator of inflationary trends that receives special consideration by the Fed, the personal consumption expenditures price index rose 0.2% in September from August. The PCE index is up 1.2% from a year earlier — still short of the Fed's 2.0% target inflation rate. Overall, personal income increased \$46.7 billion (0.3%) in September, disposable personal income (personal income less current taxes) increased \$37.0 billion (0.3%), and personal consumption expenditures (PCE) increased \$61.0 billion (0.5%). Excluding food and energy (core PCE), the index increased 0.1% in September. The increase in personal income in September primarily reflected gains in employee and nonfarm proprietors' income.
- The latest figures from the Bureau of Economic Analysis show that the goods and services trade deficit fell \$4.0 billion in September to \$36.4 billion. September exports were \$189.2 billion, \$1.0 billion more than August exports. September imports were \$225.6 billion, \$3.0 billion less than August imports. Year-to-date, the goods and services deficit decreased \$9.2 billion, or 2.5%, from the same period in 2015. Exports decreased \$60.5 billion, or 3.5%. Imports decreased \$69.7 billion, or 3.3%.
- In the manufacturing sector, Markit's U.S. Manufacturing Purchasing Managers' Index™ (PMI™) for October was 53.4 — better than September's 51.5. The improvement in the index, based on a survey of purchasing managers, was driven by strengthening in production and new orders. The latest Manufacturing ISM® Report On Business® also noted an increase in manufacturing activity, as its PMI registered 51.9% — a 0.4 percentage point increase over September's reading. While the ISM® report saw a drop in new orders, production and employment increased in October compared to September.
- The latest Non-Manufacturing ISM® Report On Business® shows economic activity in the non-manufacturing sector slowed in October as the non-manufacturing index registered 54.8% — 2.3 percentage points lower than September's reading of 57.1%. Non-manufacturing business activity, new orders, and employment all decreased in October from September. Only the Prices Index increased 2.6 percentage points, indicating rising producer prices in October. There has been a slight cooling-off in the non-manufacturing sector month-over-month, indicating that September's increases weren't sustainable.
- Business sector labor productivity (output per hour) increased at a 3.1% annual rate during the third quarter of 2016, the U.S. Bureau of Labor Statistics reported last week, as output increased 3.4% and hours worked increased 0.3%. This is the first labor productivity increase out of the last four quarters. Labor costs increased 0.3% in the third quarter, reflecting a 3.4% increase in hourly compensation and a 3.1% increase in productivity.
- In the week ended October 29, the advance figure for seasonally adjusted initial unemployment insurance claims was 265,000, an increase of 7,000 from the previous week's unrevised 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 22 was 2,026,000, a decrease of 14,000 from the previous week's revised level.

Eye on the Week Ahead

There isn't much in terms of economic reports this week, which is probably a good thing as all eyes will be on the results of Tuesday's U.S. presidential election.

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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