



WEEKLY MARKET WRAP

REVIEW & PREVIEW

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Stocks were back on their heels again last week, falling 2-6% across broad market indexes, while bonds were mixed, with corporate high yield bonds again in decline. Tech and consumer stocks, past market leaders, sold off sharply on lower guidance from several software companies late in the week. This week brings more 4th quarter earnings and important Congressional testimony from Janet Yellen.

- Economic Update:** Personal income rose 0.3% in December, with personal spending up just 0.1% and the personal savings rate increasing to 5.5%. The ISM Manufacturing Index was just 48.2 in January, but improved from revised 48.0 reading in December. The ISM Service Sector Index fell to 53.5 still in expansion, but well below its average of 56.9 last quarter. Finally, the economy added 151K in payroll gains for January, weaker than expected but with improved hiring in manufacturing.
- Inventories Rising, Prices Falling:** Mild weather and elevated natural gas inventories have sent the price of natural gas down and gas inventories to soar to 3.0 trillion cubic feet, 15% above average levels. Baker Hughes reported active gas rigs stood at 121 in January, a 15-year low. The Energy Information Administration reports that the U.S. has 503 million barrels of crude oil in storage, the highest level of supply for this time of year in 80 years.
- Merger and Acquisitions Rising:** Stock market declines appear to be encouraging M&A activity, with cross-border mergers up 31% to \$132 billion year-to-date, the strongest showing since 2006. Chinese acquisitions account for 47% of the total.
- New Market Cap King?** Google parent Alphabet surpassed Apple Inc. as the largest public company in the world by market capitalization after a strong earnings report on Monday.
- Treasury to Issue Less Long-Term Debt:** The U.S. Treasury announced plans to issue \$18 billion less in long-term debt in the next quarter, reflecting reduced U.S. deficits. Though a small reduction, it could further add to downward pressure in interest rates this year.
- Carl's Corner:** The Super Bowl team wearing white jerseys has won 11 of the last 12 Super Bowl games.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	0.24	1.62	1.62
Barclays High Yield Bond	-1.12	-2.71	-2.71
Barclays Glb Agg Bond	1.68	2.57	2.57
JPM Emerging Mkts Bond	0.12	-0.08	-0.08
S&P Equity 500 Index	-3.04	-7.85	-7.85
Russell 3000 All Cap Index	-3.22	-8.68	-8.68
Russell 2000 Small Cap Index	-4.78	-13.15	-13.15
NASDAQ Composite	-5.37	-12.76	-12.76
S&P Global BMI	-2.16	-8.36	-8.36
MSCI EAFE Index	-1.52	-8.64	-8.64
MSCI EAFE Small Cap	-0.75	-8.55	-8.55
MSCI Emerging Markets	-0.34	-6.81	-6.81

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