



WEEKLY MARKET WRAP

REVIEW & PREVIEW

August 25, 2015

VOLUME 22, ISSUE 34

Stocks fell sharply during the week, following on the heels of Thursday's decline, the worst day for stocks in 18 months. Weak economic data out of China, oil prices falling below \$40/barrel, and speculation about the Fed interest rate hike all came together to spark selling. This week we get revised 2nd quarter GDP and the annual Jackson Hole Fed meeting.

- Economic Update:** Consumer inflation (CPI) rose just 0.2%, and headline core CPI is up just 1.8% year over year, well below the Fed target of 2.0%. Housing starts rose to 1.2m annually and existing home sales are up 10.3% year over year. Regional manufacturing indexes were mixed with the Empire Mfg (NY) Index decline but the Philly Index rising at a healthy pace.
- September Lifftoff ?** Federal Reserve officials are anxious to begin raising interest rates but meeting minutes released last week reveal not all members are convinced that inflation conditions have been met and more labor improvement is needed. Following the Fed minutes and last week's market declines the probability of a September hike has fallen from 60% to 24% according to Fed futures prices.
- Oil Inventories Rise-Again!** The U.S. Energy Information Administration (EIA) reported that crude inventories rose again by 2.6 million barrels to 456m barrels. Rigs counts increased slightly and the report pushed oil prices below \$40 barrel for the first time since 2009. Citigroup predicts prices could reach \$30 barrel before recovering next year.
- Stock Market Corrections Are Normal:** We remind investors that corrections in the markets are par for the course, even though we have not had a weekly correction of 5% or more since 2011. Schwab notes that after 32 such corrections since 1980, the market has recovered, on average in three months.
- 2nd Quarter Earnings Update:** Earnings season is basically over, and with 96% of S&P 500 companies reported, the blended earnings growth rate is at just 1.2%, but excluding the energy sector actual earnings growth year over year is closer to 8%, with 70% of companies beating their estimates.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	0.59	1.20	1.10
Barclays High Yield Bond	-0.78	-2.71	-0.26
Barclays Glb Agg Bond	1.06	1.30	-1.82
JPM Emerging Mkts Bond	-0.98	-1.37	0.37
S&P Equity 500 Index	-5.71	-6.03	-2.99
Russell 3000 All Cap Index	-5.59	-4.58	-2.73
Russell 2000 Small Cap Index	-4.59	-7.62	-3.23
NASDAQ Composite	-6.73	-5.46	0.12
S&P Global BMI	-5.27	-6.03	-2.70
MSCI EAFE Index	-4.53	-4.39	0.89
MSCI EAFE Small Cap	-3.82	-3.26	6.56
MSCI Emerging Markets	-5.94	-16.04	-13.56

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