



WEEKLY MARKET WRAP

REVIEW & PREVIEW

December 21, 2015

VOLUME 22, ISSUE 51

The week the market has been waiting for eight years finally came last week. The Federal Reserve announced last Wednesday that they were raising the Federal Funds rate by to 0.25%, ending years of “zero interest rate policy” following the recession of 2008. Markets went up, then down, but should get a chance to digest during the holiday shortened week. Merry Christmas!!!

- **Economic Update:** Consumer prices were unchanged in November, with both energy and food prices declining. Core CPI rose 0.2%, on trend. Regional manufacturing indexes and industrial production declined again, reflecting ongoing weakness in global manufacturing. Housing got a boost from mild weather, with housing starts up 10% and permits up nicely as well. This week we get the 2nd estimate of 3rd quarter GDP.
- **Fed Finally Hikes:** The Federal Reserve finally moved to hike the interest rate to 0.25% on fed funds last week, ending the long period of zero-interest rates, and beginning a gradual shift to “normal” interest rate policy. Fed chairman Yellen’s comments emphasized “gradual” and stressed that future hikes will remain data dependent. A Financial Times survey of economists expects the Fed to hike a total of 75bps in 2016. *All Star Financial expects just another hike of 25bps in 2016.*
- **Oil Falls Below \$35/barrel:** Crude oil prices fell below another price barrier on Monday, falling below \$35 barrel on still rising crude oil inventories. U.S. oil production continues to beat expectations and Congress voted to lift the 40-year ban on U.S. oil exports last week, while both Russia and Saudi Arabia are still expanding production.
- **Budget Bill and Tax Extensions:** Congress passed an Omnibus Spending bill last week that extends the budget into September 2016 and extended many tax provisions as well. The bill takes the threat of government shutdown off the table going into the elections year.
- **Fun with Forecasts:** Consensus year-end forecasts for 2015 expected the Fed to hike interest rates by June 2015 (happened December). The median forecast for year-end 10-year Treasury yields was 3.0% (currently 2.20%), and the median forecast for oil prices expected \$70-\$85/barrel oil prices (currently \$35). Wall Street strategists expected S&P 500 returns of 7-8% for the full year in 2015, but the S&P 500 is struggling to remain positive at year-end. Go Santa!
- **Carl’s Corner:** The last time the DIII Football National Championship did not feature either Mount Union, Wisconsin-Whitewater, or St. Thomas was in 2004, when Linfield defeated Mary Hardin-Baylor.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	-0.35	-0.31	0.81
Barclays High Yield Bond	-0.95	-3.05	-5.43
Barclays Glb Agg Bond	-0.69	-0.83	-3.06
JPM Emerging Mkts Bond	-0.23	1.25	0.93
S&P Equity 500 Index	-0.31	4.97	-0.58
Russell 3000 All Cap Index	-0.31	4.26	-1.31
Russell 2000 Small Cap Index	-0.20	2.14	-5.75
NASDAQ Composite	-0.19	6.85	5.13
S&P Global BMI	0.02	3.33	-3.26
MSCI EAFE Index	-0.17	2.88	-2.55
MSCI EAFE Small Cap	-0.10	4.71	7.45
MSCI Emerging Markets	2.12	-0.09	-15.55

Robert Klefsaas, CFP®, AIF®, CFDS
 Bruce Bonner, CFA®
 Brian Senske, MA
 David Osterberg, CPA
 Carl Ermisch, AIF®
 John Shevlin
 Nick Sullivan
 Paula Zilka
 Michele Lenz
 Nate Gelle

President
 Portfolio Manager
 COO, CCO
 Tax Advisor
 Analyst & Paraplanner
 Account Executive
 Wealth Manager
 Executive Assistant
 Client Associate
 Intern #94

Phone: 952-896-3820 · Fax: 952-896-3819 · Toll Free: 888-809-7901

Email: asf@allstarfinancial.com · Website: www.allstarfinancial.com

