



## Capital Asset Management

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# Market Week: October 24, 2016

## The Markets (as of market close October 21, 2016)

Last week began with a whimper as equities closed down (the Dow fell 0.3%), while the 10-year Treasuries yield dropped 4 basis points and bond prices increased. Oil (WTI) fell below \$50 per barrel before rallying to around \$50.50 per barrel last Tuesday morning. Midweek saw the markets remain steady after the European Central Bank decided to leave its interest rates unchanged. Favorable earnings reports pushed the markets into positive territory by last week's end, as each of the indexes listed here posted gains week-over-week, led by the Global Dow and the Nasdaq, each of which gained almost 1.0%. The price of crude oil (WTI) advanced \$0.68, while gold had a good week, gaining almost \$14 over the prior week's closing price.

The price of crude oil (WTI) closed at \$51.0 per barrel last week, up from \$50.32 per barrel the previous week. The price of gold (COMEX) increased, closing at \$1,266.70 by late Friday afternoon, up from the prior week's price of \$1,252.90. The national average retail regular gasoline price decreased to \$2.257 per gallon on October 17, 2016, \$0.015 less than last week's price and \$0.020 lower than a year ago.

Market/Index	2015 Close	Prior Week	As of 10/21	Weekly Change	YTD Change
<b>DJIA</b>	17425.03	18138.38	18145.71	0.04%	4.14%
<b>Nasdaq</b>	5007.41	5214.16	5257.40	0.83%	4.99%
<b>S&amp;P 500</b>	2043.94	2132.98	2141.16	0.38%	4.76%
<b>Russell 2000</b>	1135.89	1212.41	1218.10	0.47%	7.24%
<b>Global Dow</b>	2336.45	2426.05	2449.62	0.97%	4.84%
<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%	1.80%	1.73%	-7 bps	-53 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

- Overall, consumer prices increased in September, but core prices changed very little. The Consumer Price Index, a measure of the change in the prices of goods and services purchased by consumers, increased 0.3% in September over August. The gasoline index rose 5.8% in September and accounted for more than half of the increase in the CPI. The energy index increased 2.9%, its largest advance since April. The index for all items less food and energy (core prices) rose a scant 0.1% in September after a 0.3% increase in August. The CPI has risen 1.5% over the last 12 months — its largest 12-month increase since October 2014. However, core prices actually fell 0.1 percentage point year-over-year. Based on this report, inflation may be trending up, but at a very moderate pace.
- As expected, the single-family housing market picked up steam in September after a brief retreat in August. Sales of existing homes jumped 3.2% in September to an annual rate of 5.47 million, up from



## Key Dates/Data Releases

10/25: Consumer confidence

10/26: International trade in goods, new home sales

10/27: Durable goods orders

10/28: GDP, Employment Cost Index

August's downwardly revised 5.30 million. Through September, existing home sales are at their highest pace since last June and are 0.6% above a year ago. The median existing-home price for all housing types in September was \$234,200, up 5.6% from September 2015 (\$221,700). The median existing single-family home price was \$235,700 in September, up 5.6% from September 2015. Unsold inventory (2.04 million homes available) is at a 4.5-month supply at the current sales pace, which is down from 4.6 months in August. Adding to the increase of existing home sales is the jump in sales to first-time homebuyers, which accounts for 34% of total sales in September. First-time buyers represented 30% of sales in all of 2015.

- According to the latest information from the Census Bureau, building permits are up 6.3% and single-family housing starts increased 8.1% in September. On the negative side, single-family housing completions fell 8.8% and multifamily housing starts plummeted 38%. However, multifamily building permits advanced 16.8%, indicating that construction in that sector should pick up over the next several months.
- The National Association of Home Builders Housing Market Index, based on a survey of NAHB members, fell 2 points to 63 for October. Home builders have some reservations about the present market for new home sales due to concerns over shortages of lots and labor. However, the index for single-family home sales over the next six months increased 1 percentage point, as respondents expect the housing market to continue to make slow and steady gains.
- Industrial production edged up 0.1% in September after falling 0.5% in August. For the third quarter as a whole, industrial production rose at an annual rate of 1.8% for its first quarterly increase since the third quarter of 2015. Manufacturing output increased 0.2% in September and moved up at an annual rate of 0.9% in the third quarter. However, compared to last year, industrial production is down 1.0% with manufacturing output remaining unchanged from a year earlier.
- In the week ended October 15, the advance figure for seasonally adjusted initial unemployment insurance claims was 260,000, an increase of 13,000 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 8 was 2,057,000, an increase of 7,000 from the previous week's revised level.

## Eye on the Week Ahead

After several weeks of volatility, investors will likely keep their fingers crossed for a break in the action as third-quarter earnings reports continue to stream in. Rising oil prices and increased consumer spending could expand the third-quarter GDP.

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



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