Weekly Market Commentary
May 16, 2016

The Markets

When is a door not a door?

The answer, of course, is: When it's ajar.

Investors and analysts were trying to find the answer to a different riddle last week: When are strong retail sales not strong retail sales?

The answer is: When the retailers are department stores.

Consumers spent more in April than they have in more than a year. Commerce Department data showed April's retail sales improved by 1.3 percent month-to-month and 3.0 percent year-to-year. Yet, several large department stores reported poor first quarter earnings and weren't optimistic about the future, according to *Barron's*.

The Wall Street Journal pointed out Internet and mobile app purchasing increased by 2.4 percent in April and was up 10.2 percent for the past 12 months, while purchases made in department stores fell by 1.7 percent for the last 12 months. *The Journal* said there is no easy explanation for lagging department store sales:

> "Executives at traditional large retailers struggled to explain the slump, which for some companies was their worst since the recession. Some pointed to a decrease in mall traffic, while others said shoppers were spending more on items their stores don't sell such as entertainment, travel, and food."

The Journal also said strong consumer spending focused some economists' attention on the Federal Reserve and the likelihood it will take actions intended to increase interest rates in mid-June. However, *CNBC* reported the probability of a rate increase in June remained low.

Data as of 5/13/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.5%	0.1%	-2.5%	7.8%	8.9%	4.7%
Dow Jones Global ex-U.S.	-0.6	-2.6	-16.1	-3.2	-2.0	-0.9
10-year Treasury Note (Yield Only)	1.7	NA	2.3	1.9	3.2	5.2
Gold (per ounce)	-1.8	19.2	4.6	-4.0	-3.4	6.3
Bloomberg Commodity Index	1.3	7.5	-19.5	-13.9	-12.0	-7.3
DJ Equity All REIT Total Return Index	-1.3	7.2	12.6	7.6	11.2	7.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHICH COUNTRY HAS THE WORLD'S FASTEST GROWING ECONOMY? We all know China's growth is slowing. Last week, China's Vice-Premier Zhang Gaoli indicated the country is on pace to match its growth target of 6.5 percent to 7.0 percent for 2016. As we've mentioned before, the *Conference Board* believes Chinese government growth numbers are inflated. It estimates China's true growth rate at 3.7 percent for 2016, which is unchanged from 2015. That's still a lot faster than the 2.0 percent growth projected for the world's advanced economies by the *World Economic Forum (WEF)*.

Advanced countries may be lagging, but there are countries in the world with economies that are growing apace. According to the *WEF*, countries that will deliver the strongest economic growth during 2016 include:

- Myanmar (8.6 percent)
- Ivory Coast (8.5 percent)
- Bhutan (8.4 percent)
- India (7.5 percent)
- Laos (7.4 percent)
- Iraq (7.2 percent)
- Cambodia (7.0 percent)
- Tanzania (6.9 percent)
- Bangladesh (6.6 percent)
- Senegal (6.6 percent)

These projections reflect gross domestic product growth, which is the total of all goods and services produced in a nation, and offer little insight to issues such as well-being and quality of life.

Weekly Focus – Think About It

"I hope it is true that a man can die and yet not only live in others but give them life, and not only life, but that great consciousness of life."

--*Jack Kerouac, American novelist*

Best regards,

Tony Kalinowski

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
* Stock investing involves risk including loss of principal.

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