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Market Month: November 2015

The Markets (as of market close November 30, 2015)

November saw equities markets follow October's gains, although not nearly at the same pace. Amid favorable jobs reports, moderate GDP growth, and increased consumer income, coupled with an apparent easing of economic concerns in China, conditions appeared ripe for a strong November in equities trading. However, the major indexes listed here saw gains that can be described as pedestrian at best. Possibly shaken by the terrorist attacks in Europe, investors socked money away at a pace not seen since 2012. Nevertheless, positive gains were achieved in both the Dow and S&P 500. The Nasdaq advanced almost 55 points, while the Russell 2000 jumped a little over 3.0%. Of the indexes listed, only the Global Dow lost value by the end of November.

At the close of November, the price of gold (COMEX) was \$1,064.00, more than \$77 lower than October's end-of-month price of \$1,141.70. Crude oil (WTI) prices remained below \$45 a barrel, selling at \$41.68 a barrel by month's end.

Market/Index	2014 Close	Prior Month	As of 11/30	Month Change	YTD Change
DJIA	17823.07	17663.54	17719.92	0.32%	-0.58%
Nasdaq	4736.05	5053.75	5108.67	1.09%	7.87%
S&P 500	2058.90	2079.36	2080.41	0.05%	1.04%
Russell 2000	1204.70	1161.86	1198.11	3.12%	-0.55%
Global Dow	2501.66	2436.23	2391.96	-1.82%	-4.39%
Fed. Funds	0.25%	0.25%	0.25%	0%	0%
10-year Treasuries	2.17%	2.14%	2.20%	6 bps	3 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.

The Month in Review

- Terrorism dominated the news in November following the bombing of a Russian passenger plane, and attacks in Paris and Mali. The economic impact of these terrorist attacks may not be realized for some time, as the United States and foreign nations work to protect their people while confronting threats of further violence.
- The Federal Open Market Committee (FOMC) does not meet in November, but at its next meeting in December, FOMC members will assess whether economic indicators show sufficient upward movement to warrant an interest rate increase. November has proven to be a "mixed bag" of economic information, with some sectors showing clear improvement, while others are stagnant or regressing.
- The second estimate of the third-quarter GDP showed continued expansion, but at a much slower pace compared to the second quarter. The second "advance estimate" of gross domestic product showed economic growth increasing at an annual rate of 2.1% compared to the second quarter's growth rate of 3.9%. While source data used as the basis for this report may change over time, it provides evidence

Key Dates/Data Releases

12/1: ISM Manufacturing Index

12/2: Productivity and costs

12/3: Factory orders, ISM Non-Manufacturing Index

12/4: Employment situation, international trade

12/8: JOLTS

12/10: Import and export prices, Treasury budget

12/11: Producer Price Index, retail sales; consumer sentiment, business inventories

12/15: Consumer Price Index, Housing Market Index

12/16: Housing starts, industrial production, PMI manufacturing index, FOMC meeting announcement/forecasts

12/22: GDP, existing home sales

12/23: Durable goods orders, new home sales, personal income and outlays

12/29: International trade, Case-Shiller HPI

12/30: Pending home sales

that the economic growth of the first and second quarters may be fizzling. The latest GDP figures may support FOMC members who think it's best to keep interest rates at their current level.

- The FOMC relies on the personal consumption expenditures (PCE) index as a source for determining inflationary trends. The PCE index for October reveals inflation is relatively stagnant--gaining \$15.6 billion, or 0.1%--the same marginal gain as the prior month. Overall, personal income increased \$68.1 billion, or 0.4%, and disposable personal income increased \$56.8 billion, or 0.4%, in October, according to the Bureau of Economic Analysis. Wages and salaries increased \$45.0 billion in October, compared to an increase of \$2.5 billion in September. While consumers apparently have more disposable income, instead of spending it, they're saving it at a rate of 5.6%--the highest level since December 2012. This trend may be a sign that consumers aren't sure about the strength of the economy going forward.
- As another indication of inflationary trends, the overall Consumer Price Index increased 0.2% in October, according to the Bureau of Labor Statistics. Over the last 12 months, the all items index increased 0.2% before seasonal adjustment. The index for all items less the more volatile food and energy components (the "core" rate) rose 0.2% in October, the same increase as in September. The 12-month core rate sits at 1.9%--close to the 2% target inflation rate sought by the Fed.
- The U.S. Treasury report for October revealed a budget deficit of \$136.5 billion for the month. This report is the first for the U.S. government's fiscal year, which runs from October through September. The deficit for October 2015 is 12.2% higher than for October 2014. A significant gain in Medicare spending, up 9.8% from a year ago, contributed to the increased budget deficit. Nevertheless, the 2015 fiscal year ended on a good note as the deficit fell 9.2% compared to last year.
- U.S. retail and food services sales advance estimates for October were \$447.3 billion, an increase of 0.1% from the previous month and 1.7% ahead of October 2014, according to the U.S. Census Bureau. Total sales for the August 2015 through October 2015 period were up 2.0%. However, excluding motor vehicles, retail and food sales were actually up only 0.2% in October from September, and 0.5% ahead of October 2014.
- According to the Bureau of Labor Statistics Producer Price Index, U.S. producer prices for goods and services fell 0.4% in October, with prices for goods falling 0.4% and prices for services declining 0.3%. For the 12-month period ended October 2015, overall producer prices are down 1.6%--a record 12-month decline for this index.
- Orders for manufactured durable goods (expected to last at least three years) reversed course in October from prior months--increasing \$6.9 billion, or 3.0%, to \$239.0 billion from a month earlier, according to the Census Bureau. Despite the latest figures, durable goods orders are down 4.2% year-to-date compared to the same period in 2014.
- The Federal Reserve's monthly index of industrial production fell 0.2% in October from a month earlier, following a 0.2% decline in September. Utilities (-2.5%) and mining (-1.5%) decreased, while manufacturing output actually increased--gaining 0.4% for the month.
- According to the Labor Department's Job Openings and Labor Turnover Survey (JOLTS), the number of job openings in September was little changed at 5.5 million compared to 5.4 million in August. The number of hires and separations was little changed at 5.0 million and 4.8 million, respectively. The job openings rate for September was 3.7%. While the rate of job openings remains consistent, so too is the quits rate (1.9%), an indication that workers aren't too sure there'll be other opportunities in the labor market if they leave their present positions.
- Total nonfarm employment increased by 271,000 in October, up from 142,000 in September, while the unemployment rate fell to 5.0%, according to the Bureau of Labor Statistics. Over the past 12 months, the unemployment rate and the number of unemployed persons were down 0.7% and 1.1 million, respectively. The average workweek for all employees on private nonfarm payrolls remained at 34.5 hours in October, while average hourly earnings for all employees on private nonfarm payrolls rose by 9 cents to \$25.20. Hourly earnings have risen by 2.5% over the year.
- The Bureau of Economic Analysis reported that the goods and services deficit was \$40.8 billion in September, down \$7.2 billion from August. The September decrease in the goods and services deficit reflected a decrease in the goods deficit of \$7.3 billion to \$60.3 billion and a decrease in the services surplus of \$0.1 billion to \$19.5 billion.
- Import and export prices continue to feel deflationary pressures. Import prices for goods bought in the United States but produced abroad fell 0.5% in October, after a 0.6% decrease in September, according to the latest report from the Bureau of Labor Statistics. Lower prices for both fuel and nonfuel imports contributed to the October decrease. October's export prices for goods sold abroad but produced domestically were down 0.2% following a 0.6% drop in September.
- In the housing market, new residential construction (housing starts) fell 11.0% in October to 1.06 million from the previous month, and 1.8% below the October 2014 rate. Sales of new single-family homes increased by 10.7% in October above September, but sales of existing residences dropped 3.4% in

October to a seasonally adjusted annual rate of 5.36 million. Despite last month's decline, sales are still 3.9% above a year ago (5.16 million). The median existing home price for all housing types fell in October to \$219,600, a drop of \$2,300 from the prior month's median sales price.

- In other developments, for the week ended November 21, there were 260,000 initial claims for unemployment insurance, and 2,207,000 continuing claims for unemployment insurance for the week ended November 14, yielding an insured unemployment rate of 1.6%.
- The national average retail regular gasoline price dropped from \$2.228 per gallon on October 26, 2015, to \$2.094 on November 23, 2015--a decrease of \$0.134.
- Consumer confidence in the economy, which had decreased moderately in October, declined further in November. The index now stands at 90.4, down from 99.1 in October, according to The Conference Board Consumer Confidence Index®.

Eye on the Month Ahead

The big news for December focuses on the FOMC meeting and whether interest rates will be raised. Economic indicators have been mixed, so there's no certainty as to how the committee will act.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: 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). 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. 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. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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