



1300 NW Briarcliff Pkwy, Ste. 120  
Kansas City, MO 64150  
913.948.6770  
816.399.0787

## Stocks Drop on Retail Earnings Woes

Weekly Update – May 16, 2016

Stocks fell again for the third week in a row, driven lower by poor earnings reports from some major department store retailers. For the week, the S&P 500 lost 0.51%, the Dow fell 1.16%, the NASDAQ dropped 0.39%, and the MSCI EAFE lost 0.46%.<sup>i</sup>

Despite a growing economy and strong labor market, Americans didn't shop as much as retailers expected last quarter, leaving some puzzled over the disconnect. Many retail giants, including Macy's [M] and Kohl's [KSS], posted dismal earning results for the first quarter. Among the problems: same-store sale declines, falling traffic, and an inability to predict apparel trends.<sup>ii</sup> Even industry insiders aren't sure what's going on, and some say that the retail doldrums are bringing back memories of the last recession. However, economists may have some answers.

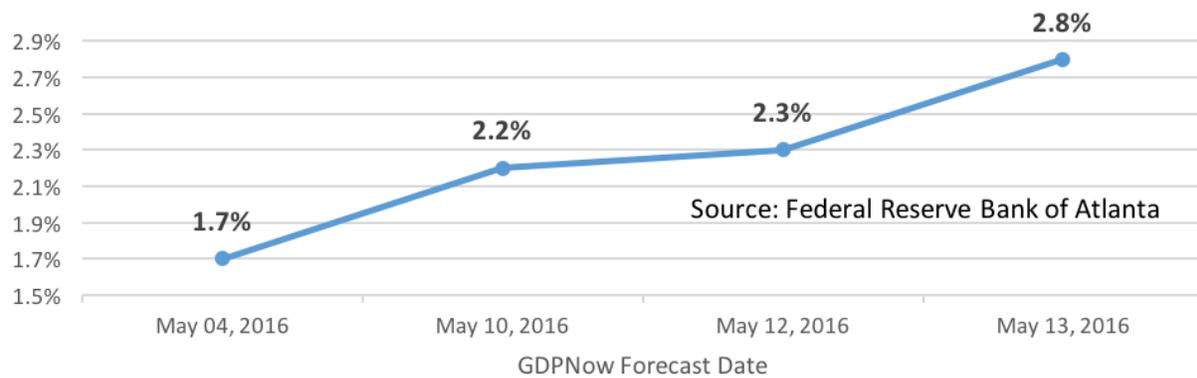
Though consumers are doing much better than they did in the immediate post-recession recovery, some worry lingers, causing people to save more instead of spending. As the cost of housing and healthcare has increased, many Americans also don't have as much discretionary money to spend.<sup>iii</sup>

The good news is that Americans are still spending—just not the same way they did in the past. An increasing number—particularly Millennials—prefer to spend what they have on things like services, dining out, and concerts.<sup>iv</sup> Americans are shifting to online spending, which hurts brick-and-mortar retailers that rely on foot traffic.<sup>v</sup> While Commerce data shows that overall retail sales grew 3.0% since last April, the category that includes online retailers like Amazon [AMZN] and shopping apps grew 10.2%.<sup>vi</sup>

More current data also paints a more reassuring picture. The most recent report by the Commerce Department shows that monthly retail sales increased 1.3% in April, much higher than the 0.8% increase Wall Street expected.<sup>vii</sup> So-called core spending, a retail sales control category that economists use to estimate underlying consumer spending, grew 0.9%, causing economists to raise their forecasts for second-quarter economic growth.<sup>viii</sup>

The chart below shows the most current unofficial forecast of Q2 Gross Domestic Product (GDP) maintained by the Federal Reserve Bank of Atlanta. You can see that the forecast has been revised upward over the last two weeks as new data is released.<sup>ix</sup>

GDPNow Q2 GDP Growth  
(Seasonally-adjusted annual rate)



So, does the fact that retailers had a bad quarter indicate we're in a recession? Not really. Americans are spending money; they're just changing where and how they spend, and the retail industry needs to adapt to those changing preferences.

Looking ahead, we have some housing and manufacturing data coming out this week as well as minutes from the last Federal Reserve Open Market Committee meeting. While analysts aren't expecting major revelations from the meeting notes, they're hoping for more guidance on when to expect another interest rate increase. While an April survey of economists showed that 75.0% expected a June rate hike, the May survey shows that expectations have split, with 31.4% forecasting a June increase and 31.4% targeting a September increase.<sup>x</sup>

**ECONOMIC CALENDAR:**

**Monday:** Empire State Mfg. Survey, Housing Market Index, Treasury International Capital

**Tuesday:** Consumer Price Index, Housing Starts, Industrial Production

**Wednesday:** EIA Petroleum Status Report, FOMC Minutes

**Thursday:** Jobless Claims, Philadelphia Fed Business Outlook Survey

**Friday:** Existing Home Sales

Data as of 5/13/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.51%	0.13%	-2.47%	10.60%	5.85%
DOW	-1.16%	0.63%	-2.91%	7.84%	5.41%
NASDAQ	-0.39%	-5.79%	-5.30%	13.36%	11.03%
U.S. Corporate Bond Index	0.31%	5.60%	5.19%	5.50%	7.78%
International	-0.46%	-4.93%	-15.72%	-1.03%	-1.71%
Data as of 5/13/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.25%	0.38%	0.55%	1.22%	1.71%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices, and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## HEADLINES:

**Jobless claims jump to highest level since February 2015.** The number of Americans filing new claims for unemployment surged unexpectedly, touching off concerns about a labor market slowdown. However, claims remained below the key 300,000 threshold, suggesting that the jump may be seasonal.<sup>x1</sup>

**Job openings near record highs.** There were over 5.5 million job openings in March, indicating that employers are keen to hire. The rate of people voluntarily quitting their jobs remained stable at 2.1%, showing workers are still confident of finding new jobs.<sup>x2</sup>

**U.S. business inventories rise.** U.S. businesses increased their stockpiles by the biggest amount since last June, indicating they expect a good summer.<sup>x3</sup>

**Consumer sentiment rises more than expected.** A measure of consumer optimism about the economy jumped far more than expected, indicating that Americans are feeling more upbeat about their prospects despite some uncertainty around the November elections.<sup>x4</sup>

## QUOTE OF THE WEEK



*"Every strike brings me closer to the next home run." – Babe Ruth*

### **Share the Wealth of Knowledge!**

*Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!*

If you would like to opt-out of future emails, please reply to this email with UNSUBSCRIBE in the subject line.

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed insurance products and services offered by Cramer Capital Management. 1300 NW Briarcliff Pkwy, Ste. 120, Kansas City, MO 64150, 913.948.6770

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce 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.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

These are the views of Platinum Advisor Marketing Strategies, LLC, and not necessarily those of the named representative, Broker dealer or Investment Advisor, and should not be construed as investment advice. Neither the named representative nor the named Broker dealer or Investment Advisor gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial advisor for further information.

By clicking on these links, you will leave our server, as they are located on another server. We have not independently verified the information available through this link. The link is provided to you as a matter of interest. Please click on the links below to leave and proceed to the selected site.

---

<sup>i</sup> <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=04&b=9&c=2016&d=04&e=13&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=04&b=9&c=2016&d=04&e=13&f=2016&g=d&s=%5EDJI%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=04&b=9&c=2016&d=04&e=13&f=2016&g=d&s=%5EIXIC%2C+&q=1>

<https://www.msci.com/end-of-day-data-search>

<sup>ii</sup> <http://www.cnbc.com/2016/05/12/retailers-ringing-the-recession-alarm.html>

<sup>iii</sup> <http://www.cnbc.com/2016/05/12/retailers-ringing-the-recession-alarm.html>

<sup>iv</sup> <http://www.cnbc.com/2016/05/12/retailers-ringing-the-recession-alarm.html>

<sup>v</sup> <http://www.foxbusiness.com/markets/2016/05/13/shipped-shoppers-ditch-physical-stores-for-online.html>

<sup>6</sup>

<http://www.census.gov/econ/currentdata/dbsearch?program=MARTS&startYear=2015&endYear=2016&categories%5B%5D=44X72&categories%5B%5D=454&dataType=SM&geoLevel=US&adjusted=1&submit=GET+DATA&releaseScheduleId=>

<sup>vii</sup> <http://www.foxbusiness.com/markets/2016/05/13/shipped-shoppers-ditch-physical-stores-for-online.html>

<sup>viii</sup> <http://www.businessinsider.com/retail-sales-april-2016-2016-5>

<sup>ix</sup> <https://www.frbatlanta.org/-/media/Documents/cqer/researchcq/gdpnow/GDPTrackingModelDataAndForecasts.xlsx>

<sup>x</sup> <http://projects.wsj.com/econforecast/#qa=20160501001&e=1462995269111>

<http://projects.wsj.com/econforecast/#qa=20160401001&e=1459972946895>

---

<sup>xi</sup> <http://www.foxbusiness.com/markets/2016/05/12/weekly-jobless-claims-jump-by-20000.html>

<sup>xii</sup> <http://www.businessinsider.com/jolts-job-openings-labor-turnover-may-10-2016-5>

<sup>xiii</sup> <http://www.foxnews.com/us/2016/05/13/us-businesses-increase-stockpiles-sales-in-march.html>

<sup>xiv</sup> <http://www.cnn.com/2016/05/13/university-of-michigan-reports-preliminary-consumer-sentiment-for-may-2016.html>