

Weekly Market Commentary December 7, 2015

The Markets

Anyone looking at U.S. stock market performance last week might assume it was a pretty quiet week. They would be wrong. It was a very bouncy week. U.S. stock markets moved lower on Monday, rebounded on Tuesday, and then appeared to suffer a one-two punch mid-week that knocked indices lower.¹

On Wednesday, the benchmark U.S. oil price sank below \$40 a barrel as supply continued to exceed demand, according to *The Wall Street Journal (WSJ)*. Analysts had expected stockpiles of crude oil, gasoline, and other fuels to decline. Instead, stores increased to more than 1.3 billion barrels.² The glut of fuel drove energy stock values down and energy stocks led the broader market lower, according to *WSJ*.³

Performance did not improve on Thursday. In part, this was because the European Central Bank (ECB) underwhelmed markets when it delivered economic measures that were less stimulative than many had expected. The *Financial Times* reported the ECB reduced rates and pledged to extend quantitative easing for six additional months, but it did not increase the amount of its bond purchases, which disappointed investors. Stock markets in Europe and the United States lost value on the news.⁴

On Friday, a strong jobs report restored investors' enthusiasm and markets regained losses suffered earlier in the week, according to *ABC News*. The Department of Labor announced 211,000 jobs were added in November, which was more than analysts had expected. Strong employment numbers made the possibility of a Federal Reserve rate hike seem more certain and investors welcomed certainty. The ECB jumped into the good-news pool on Friday, too, announcing it would expand stimulus measures, if necessary.⁵

The Standard & Poor's 500, Dow Jones Industrial, and NASDAQ indices were all up for the week.⁶

Data as of 12/4/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.1%	1.6%	1.0%	14.1%	11.3%	5.2%
Dow Jones Global ex-U.S.	-0.7	-5.4	-7.7	1.4	-0.2	1.0
10-year Treasury Note (Yield Only)	2.3	NA	2.3	1.6	2.9	4.6
Gold (per ounce)	2.1	-10.0	-10.7	-14.0	-5.3	7.9
Bloomberg Commodity Index	0.7	-21.7	-27.2	-16.9	-11.9	-7.3
DJ Equity All REIT Total Return Index	-1.2	1.0	2.2	11.1	11.7	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.

IT'S THAT TIME OF THE YEAR. No, not the holidays. It's the time when investors begin to consider pundits' forecasts for the coming year. Here are a few of those forecasts:

“Flat is the new up,” was the catch phrase for Goldman Sachs’ analysts last August,⁷ and their outlook doesn’t appear to have changed for the United States. In *Outlook 2016*, they predicted U.S. stocks will have limited upside next year and expressed concern that positive economic news may bring additional Fed tightening. Goldman expects global growth to stabilize during 2016 as emerging markets rebound, and Europe and Japan may experience improvement.⁸

Jeremy Grantham of GMO, who is known for gloomy outlooks, is not concerned about the Federal Reserve raising rates, according to *Financial Times (FT)*. *FT* quoted Grantham as saying, “We might have a wobbly few weeks...but I’m sure the Fed will stroke us like you wouldn’t believe and the markets will settle down, and most probably go to a new high.” Grantham expects the high to be followed by a low. He has been predicting global markets will experience a major decline in 2016 for a couple years, and he anticipates the downturn could be accompanied by global bankruptcies.^{9, 10}

PWC’s Trendsetter Barometer offered a business outlook after surveying corporate executives. After the third quarter of 2015, it found, “U.S. economic fundamentals remain strong, but markets and executives like predictability, and that’s not what we’ve been getting lately... Trendsetter growth forecasts are down, so are plans for [capital expenditure] spending, hiring, and more. It doesn’t help that we’ve entered a contentious 2016 election season...”¹¹

The Economist had this advice for investors who are reviewing economic forecasts, “Economic forecasting is an art, not a science. Of course, we have to make some guess. The average citizen would be well advised, however, to treat all forecasts with a bucket (not just a pinch) of salt.”¹²

Weekly Focus – Think About It

“Weather forecast for tonight: dark.”

--George Carlin, American comedian¹³

Best regards,

Jim

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- * 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 index of 30 actively traded blue-chip stocks.
- * The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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- * You cannot invest directly in an index.
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Sources:

- ¹ [http://finance.yahoo.com/echarts?s=%5EGSPC+Interactive#{ "range": "5d", "allowChartStacking": true }](http://finance.yahoo.com/echarts?s=%5EGSPC+Interactive#{%22range%22:%225d%22,%22allowChartStacking%22:true%7D})
- ² <http://www.wsj.com/articles/oil-prices-fall-on-fears-of-increased-u-s-stockpiles-1449050223> (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_WSJ-US Oil Prices Dip Below 40 Dollars on Growing Stockpiles-Footer 2.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_WSJ-US_Oil_Prices_Dip_Below_40_Dollars_on_Growing_Stockpiles-Footer_2.pdf))
- ³ <http://www.wsj.com/articles/global-stocks-little-changed-ahead-of-ecb-meeting-u-s-jobs-report-1449047610> (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_WSJ-US Stocks Decline Along with Oil Prices-Footer 3.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_WSJ-US_Stocks_Decline_Along_with_Oil_Prices-Footer_3.pdf))
- ⁴ <http://www.ft.com/cms/s/0/b7f719ec-9965-11e5-9228-87e603d47bdc.html#ixzz3tVSPJthW> (Click on Markets tab, then “Euro jumps as ECB underwhelms markets”) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_FinancialTimes-Euro Jumps as ECB Underwhelms Markets-Footer 4.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_FinancialTimes-Euro_Jumps_as_ECB_Underwhelms_Markets-Footer_4.pdf))
- ⁵ <http://abcnews.go.com/Business/wireStory/stocks-rise-solid-november-jobs-report-oil-prices-35578641>
- ⁶ http://www.barrons.com/mdc/public/page/9_3063-economicCalendar.html (Click on U.S. & Intl Recaps, “Countdown time,” then scroll down to “Markets: The liftoff effect, what if any?”) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_Barrons-Markets At A Glance-Footer 6.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_Barrons-Markets_At_A_Glance-Footer_6.pdf))
- ⁷ <http://www.cnbc.com/2015/08/17/goldmans-2015-forecast-flat-is-the-new-up.html>
- ⁸ <http://www.goldmansachs.com/our-thinking/pages/outlook-2016/infographics.html>
- ⁹ <http://www.ft.com/cms/s/0/82737cca-39f2-11e5-bbd1-b37bc06f590c.html#ixzz3tSnjouFV> (Click on Markets tab, then Capital Markets) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_FinancialTimes-GMO Founder Grantham Says Markets Ripe for Major Decline in 2016-Footer 9.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_FinancialTimes-GMO_Founder_Grantham_Says_Markets_Ripe_for_Major_Decline_in_2016-Footer_9.pdf))

¹⁰ <http://blogs.wsj.com/moneybeat/2014/05/02/jeremy-grantham-on-bubbles-i-am-sure-it-will-end-badly/>
(or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_WSJ-Jeremy_Grantham_on_Bubbles-I_Am_Sure_It_Will_End_Badly-Footer_10.pdf)

¹¹ <http://www.pwc.com/us/en/private-company-services/publications/assets/trendsetter-q3-2015/pwc-trendsetter-barometer-q3-2015.pdf> (*Introduction page*) (or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_PWC-3rd_Qtr_Trendsetter_Barometer-Footer_11.pdf)

¹² <http://www.economist.com/blogs/buttonwood/2015/11/economic-forecasting-and-public-spending> (or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/12-07-15_TheEconomist-The_Perils_of_Planning_on_the_Basis_of_Economic_Forecasts-Footer_12.pdf)

¹³ http://www.brainyquote.com/quotes/quotes/g/georgecarl108466.html?src=t_forecast