



## TUESDAY OCTOBER 27, 2015

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,581.43	-41.62	<b>4.22</b>	34	41
Nasdaq:	5,030.15	-4.56	<b>1.98</b>	40	51
S&P 500:	2,065.89	-5.29			
10 yr note:	2.02%	-4bps			
Volatility:	15.43	+0.14			
EUR-USD:	1.104	-0.001	Crude Oil:	43.20	-0.77
USD-JPY:	120.41	-0.31	CRB-Com:	191.33	-0.94



The risk off trade continues as money shifts out of oil (-1.8%) and stocks (-0.3%) and into treasuries (-4bps) as traders brace for tomorrow's FOMC meeting. The Nasdaq outperformed (-0.1%) the Dow (-0.2%) and S&P 500 (-0.3%). The healthcare sector (+1.7%) gained the most today but remains the worst performer over the past 3 months.

Stock falling on higher volume coupled with larger declines in the DJ Transports (-2.6%) and S&P 600 (-1.2%) highlight weakness that FOMC volatility will expose tomorrow. Nevertheless volatility just budged 1% today, contradicting forecasts for a large decline tomorrow. It will certainly be very choppy trading.

European markets fell heavier as the Stoxx Euro 600 down 1.1%, now 6.9% higher this month. The Dow has rallied 8% this month.

### ECONOMIC REPORTS:

**September Durable Goods Orders:** -1.2%. Manufacturing is seeing a large nation-wide slowdown as global weakness hits this industry. September orders dropped beyond expectations while August (-3%) was revised one percentage point lower. Over the past year durable goods orders are 3% lower and 5.3% lower without transportation goods. Core capital goods are -7.3% over the same time frame. Through the first 9 months of the year, overall durable orders are 4.6% lower compared to the same period last year.

A rift has emerged in the US economy as steady consumption fuels overall growth even though weak foreign demand and a higher dollar has curtailed industrial demand. A sign of continued consumer confidence, new orders for motor vehicles (+1.8%) gained in September, putting sales on pace to match volumes last seen in the early 2000s (WSJ).

**Weekly Redbook Retail Sales:** +20bps to +1.5% annually. Store sales gain for a third week after hitting their lowest annual gain at the start of the month. Despite these gains this report has been mired in sub-

2% levels for 7 months, its longest and weakest stretch so far this recovery. Following September's weaker than expected retail sales, this report coupled with today's Conference Board report, foreshadow disappointing holiday sales.

**August Case Shiller Home Prices:** +0.1%. The 20-city seasonally adjusted Shiller home price index gained as expected in August, halting 3 months of declines. Similarly price compared to a year ago gained to +5.1%, roughly in line with yesterdays existing home sales report. Given housing's strength in September, home prices should continue to gain in next month's report.

**September Consumer Confidence:** -5.6 to 97.6. Confirming September's sales weakness, consumer's confidence falls well below expectations while August's gain was revised marginally lower. Consumer's disappointment over fewer available jobs dragged the present situation index lower, off of its best levels since September 1007 last month. Consumer's weakened perception of employment contradicts historically strong jobless claims but lends credence to recent weakness in payroll growth. Inflation expectations remained moderate at 5.1%. Both job and retail sales growth have come into question as the US economy slows in the third quarter, buffeted by a weaker international backdrop.

	September:	Change:
Current Conditions:	112.1	-9.0
Expectations:	88.0	-3.0
Inflation Exp:	5.1%	unch

**October State Street Investor Confidence:** -2.3 to 114.3. China's recent actions to stem its market panic have eased investors concerns, pushing this measure's Asia index back over 100 (+13.2 to 111). Despite falling in October, confidence in North America remains the highest (-7.7 to 125.5) while Europe is the weakest (-5.8 to 89.9).

**October Richmond Manufacturing:** +4 to -1. Mirroring all other regions that have so far reported, manufacturing activity slows its decline in October. A positive sign for next month's report, new orders jump 12 points to 0, even though shipments (-4) and backlogs (-7) remain negative. Employment remained unchanged (+3) and prices pressures eased further, suggesting nascent inflationary pressures within the economy.