



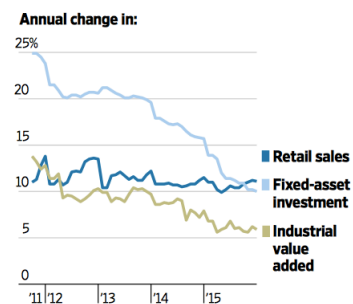
## TUESDAY JANUARY 19, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	16,016.02	+27.94	4.93	48	41
Nasdaq:	4,476.95	-11.47	2.40	22	12
S&P 500:	1,881.33	+1.00			
10 yr note:	2.04%	+1bps			
Volatility:	26.05	-0.97			
EUR-USD:	1.091	unch	Crude Oil:	28.46	-0.96
USD-JPY:	117.62	+0.28	CRB-Com:	159.48	-0.45



Markets rebound marginally on lighter volume following Friday's selloff. The Nasdaq (+0.3%) led gains in the Dow (+0.2%) and S&P 500 (+0.1%). The Dow open with a gain of 184 points following strong rallies in Asia (+3.2%) and Europe (+1.3%) however continued weakness in WTI oil (-3.3%) dragged the energy sector (-2.2%) and broader US market lower. Despite WTI oil hitting its lowest level since September 2003 today, Brent crude (+0.7%) rebounded. Investor's anxiety eased somewhat as volatility (-3.6%) and treasury yields (+1bps) stabilize from Friday's capitulation.

The Shanghai composite has leveled over the past 2 days despite GDP growing at a lower than expected 6.8% in the final quarter of 2015. Today's report showed 2015 full year growth slowing to 6.9%, the weakest pace in a quarter-century and down from 2014's +7.3%. China's government has responded with promises of increased deficit spending, even though debt, housing and industrial capacity are already bloated. Evidence of a looming credit crisis: debt at state owned enterprises gained 18.2% in the first 11 months of 2015 while profits fell 9.5% (BMI Research Corp). Similarly a weaker yuan strategy will have limited stimulative effects, with exports accounting for only 22.6% of the economy, down from 34.9% in 2007 (World Bank).



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## ECONOMIC REPORTS:

**November Treasury Capital Flows:** \$31.4 billion. October's trends persist as foreigners continue to sell equities (-\$16.3 billion) and buy treasuries (\$38.4 billion). Despite recent drawdowns in China's forex reserves as that country tries to stabilize its currency, China remains the #1 holder of US treasuries, at \$1.27 trillion (+\$100 billion in November), ahead of Japan's \$1.15 trillion.

**January Housing Market Index:** -1 to 60. Homebuilders begin the year slightly less optimistic than they ended 2015, as lower homebuyer traffic and fears over future activity hinder sentiment. The Fed's December rate hike, coupled with recent volatility in mortgage applications and home sales leave housing in a precarious position.

	<u>Change:</u>	<u>January</u>
Current Sales:	+1	67
Future Sales:	-4	63
Traffic:	-2	44