

The Market Week in Review

For the Week Ending April 16, 2011

THE MARKETS

It was a busy week on Wall Street, with lots of economic information being released for investors to consider. When the dust settled, the 4 major indexes were down for the week, but only slightly. Oil finished the week at \$109.40 per barrel, down 3.0%. Gold closed on Friday at \$1,486.37 per ounce, up slightly for the week.

One big news item that had virtually no effect on stock prices was the budget compromise that was finally reached by both houses of Congress and the President. Perhaps that's because in reality not much changed. A report released Wednesday by the nonpartisan Congressional Budget Office determined that the deal cuts just \$352 million from spending in the current fiscal year, not \$38.5 billion being touted by the folks in Washington. According to the CBO many of the so called cuts actually involve money that wasn't going to be spent this year anyway. For example, Sen. Tom Coburn (R) of Oklahoma found in the fine print a cut of \$4.8 billion in unspent money from a victim's compensation fund. Surprised? Didn't think so.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,380.05	12,341.83	-38.22	-0.31%	6.60%
Nasdaq	2,780.42	2,764.65	-15.77	-0.57%	4.21%
S&P 500	1,328.17	1,319.68	-8.49	-0.64%	4.93%
Russell 2000	840.89	834.98	-5.91	-0.70%	6.55%

According to the International Monetary Fund the U.S. budget deficit this year will reach 10.8% of the nation's gross domestic product. If correct, the U.S. deficit will be the largest in the developed world if measured as a percentage of GDP. The IMF estimates that America would have to implement the biggest budget cut in "at least half a century" if President Obama keeps his promise of halving the deficit by the end of his four-year term.

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The U.S. trade deficit decreased by 2.6 percent in February to \$45.8 billion, according to figures released by the Commerce Department on Tuesday. The decline was a result of lower demand for imported goods, including imported crude oil, which reached a 12 month low. In total, imports fell 1.7 percent to \$210.9 billion. Exports, which had hit an all-time high in January, also fell by 1.4 percent to \$165.1 billion, as sales of U.S. autos, industrial machinery and food products all dropped. The trade gap had reached a 7 month high in January of this year.

In a separate report the Labor Department announced that the prices of imported goods rose by 2.7 percent in March. The March gain is the biggest since June 2009, and follows a 1.4 percent rise in February. The upward movement was led by higher crude oil prices and the biggest jump in cost of food imports since 1994.

WEDNESDAY

Retail sales for March increased by 0.4% while sales less autos increased by 0.8%. The consensus among economists polled by Briefing.com had called for respective increases of 0.5% and 0.7%. Both total sales and sales less autos for the prior month were revised upward to reflect increases of 1.1%.

The Fed's latest Beige Book (which consists of anecdotal evidence on economic conditions from each of the 12 Federal Reserve districts) was released Wednesday. As expected, it indicated that economic activity continued to improve since the last report. Manufacturing remains particularly strong. Increased consumer spending is also a bright spot. The employment picture is also gradually improving. However, higher commodity costs are putting upward pressure on prices, while wages remain flat.

THURSDAY

The Labor Department announced Thursday that initial claims for unemployment benefits climbed 27,000 for the week ended April 9th to 412,000. The surprisingly high tally marked the first time in more than a month that initial claims exceeded 400,000. The four-week average rose 5,500 to 395,750, which amounts to its highest reading since mid March.

The Producer Price Index for March increased by 0.7%. A 1.1% increase that had been broadly expected. To no one's surprise, energy prices led the increase, rising 2.6 percent last month. However, food prices actually fell 0.2 percent after surging 3.9 percent in February. Excluding food and energy, producer prices for March increased by a 0.3%; a 0.2% increase that had been expected.

FRIDAY

The University of Michigan's Consumer Sentiment Survey for April was released on Friday. The results were better than expected with a reading of 69.6, as compared to the 66.5 that had been forecasted.

Consumer prices for March increased by 0.5%, which is in line with what economists had been predicting prior to the announcement. Excluding food and energy, consumer prices increased by 0.1%, slightly less than the 0.2% increase that had been expected.

Finally, the Federal Reserve's Factory Production report was released on Friday. It showed the nation's industrial production for March increasing by 0.8%, which is better than the 0.6% increase that had been broadly expected. Capacity utilization came in at 77.4%, as anticipated.

QUOTES OF THE WEEK

"Here ends the slow, sad, silly FY 2011 appropriations process."

Rep. Marcy Kaptur (D) of Ohio, who opposed the bill on the grounds that the cuts would hurt jobs.

"Listen, this bill is not perfect. No cause for celebration."

Rep. John Boehner (R) of Ohio, Speaker of the House of Representatives.

I hope you have found the information in this week's market summary helpful. If you would like to comment on any of the information found in this week's Market Commentary please e-mail me at awillms@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call me at the number listed below.

Best regards,

Andy

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