

## The Market Week in Review

For the Week Ending April 30, 2011

### THE MARKETS

The equity markets had another positive week, and the month ended with the Dow Jones Industrial average recording its largest monthly gain since December 2010. For the month of April, the Dow is up 4 percent, the S&P 500 is up 2.8 percent and the Nasdaq is up 3.3 percent. Strong corporate earnings reports have been the primary catalyst behind the recent rise in stock prices. However, some economists are expressing concerns that higher food and gasoline prices will cause consumers to reduce spending on other items, which could put a damper on the nation's recovery.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,505.99	12,810.54	304.55	2.44%	10.65%
Nasdaq	2,820.16	2,873.54	53.38	1.89%	8.32%
S&P 500	1,337.38	1,363.61	26.23	1.96%	8.43%
Russell 2000	845.64	865.29	19.65	2.32%	10.42%

A recent article in The Economist magazine asserts that the way the U.S. calculates its economic statistics understates its actual level of debt. For example, U.S. statistics indicate that its net debt is 62% of gross domestic product, which would be well below Europe's. However, if the U.S. calculated its gross debt in the same way as much of Europe, that number would jump to 92%. "That is on a par with Portugal's level of public debt," the magazine noted. "Likewise, America's budget deficit of 8.9% of GDP last year would have been 10.6% using Europe's preferred measure" according to the article.

### DAILY DEVELOPMENTS

#### MONDAY

According to a report by the Commerce Department sales of new homes reached a seasonally adjusted annual rate of 300,000 in March. This represents an 11.1% increase over the prior month. The February data also was revised higher to 270,000 which amounts to a 20,000 increase from the original estimate. Even with the upward adjustment the number of new houses sold in February is still at a record low and the March sales figure is 21.9% below this time last year. Median home sales prices rose 2.9 percent to \$213,800.

#### TUESDAY

The S&P Case-Shiller Home Price index fell 1.1 percent from January, Standard & Poor's said Tuesday. The Case-Shiller index measures repeat sales of houses in 20 large cities in the U.S. The index registered at 139.27 in February, which is essentially the same as the

low of 139.26 that it reached in April 2009. S&P also said that home prices in the surveyed cities are down by 3.3 percent in the last 12 months.

#### *WEDNESDAY*

The Federal Reserve's Open Market Committee released its latest policy statement on Wednesday. It indicated that the Federal Reserve plans to keep federal funds rate at 0.00% to 0.25% for an extended period. The statement also indicated that the economic recovery is proceeding at a moderate pace, which is a slight downgrade from the "firm pace" mentioned in the Committee's previous statement.

Afterwards, Chairman Ben Bernanke held the first ever press conference to answer reporter's questions about the statement. He stated that the Fed's GDP forecast for 2011 now stands at 3.1% to 3.3%, which is down from its earlier estimate of 3.4% to 3.9%. Although GDP growth is expected to moderate, Bernanke said that the Federal Reserve expects unemployment to be between 8.4% and 8.7% in 2011, which is lower than its earlier estimate of 8.8% to 9.0%. Mr. Bernanke also indicated the Fed will phase out its \$600 billion bond-buying program as planned.

New orders for durable goods (defined as manufactured goods expected to last three years or more) in March increased \$5 billion, or 2.5 percent, to more than \$208 billion, according to a report issued by the U.S. Census Bureau on Wednesday. Excluding transportation, new orders increased 1.3 percent and excluding defense, new orders increased 2.3 percent according to the report. March was the third consecutive monthly that durable goods orders have increased.

The unemployment rate fell in 303 of the nation's 372 largest cities in March as businesses added a net total of more than 200,000 jobs in March and February, the Labor Department said Wednesday. That amounts to the largest increase in 5 years. The rate rose in 43 cities and was unchanged in 26. By comparison, last month 287 of the largest cities reported a decline in business hiring. Nationwide, the unemployment rate dipped to a two-year low of 8.8 percent in March and has dropped a full percentage point since November.

#### *THURSDAY*

America's Gross domestic product rose at an annual rate of 1.8% in the first quarter, according to the Commerce Department preliminary estimates, which were released on Thursday. That's a significant slowdown from the 3.1% growth rate in the final quarter of 2010. Rising gasoline, higher overall inflation and continued weakness in the housing market all took a toll on the recovery. Consumer prices were up 3.8% from a year earlier, according to the report, compared to a rise of only 1.7% in the fourth quarter. Residential housing construction fell at a 4.1% pace in the quarter, while investment in non-residential real estate, such as offices, stores and factories, dropped by 29%.

429,000 new claims for unemployment benefits were filed for the week ended April 23 totaled, which is greater than the 390,000 initial claims that economist had been

expecting, Initial claims have climbed back above 400,000 and exceeded expectations in each of the past several weeks.

#### FRIDAY

Consumer spending rose a seasonally adjusted 0.6 percent in March, the Commerce Department announced on Friday. This follows an upwardly revised rise of 0.9 percent increase in February. The increase was slightly better than the average analyst estimate of 0.5 percent increase in consumer spending. Personal income growth was 0.5 percent in March, while disposable personal income grew a more robust 0.6 percent. In comparison both income and disposable income grew by 0.4 percent in February.

#### QUOTE OF THE WEEK

***"Clearly, the economic recovery is broadening across the country. We're still seeing some pretty good improvement in unemployment rates in the industrial Midwest."***

Steve Cochrane, a regional economist at Moody's Analytics

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](mailto: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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