

The Market Week in Review

For the Week Ending August 13, 2011

THE MARKETS



The stock market took investors for a rollercoaster ride this week that would make Great America's Ragin' Cajun look like a kiddie ride as stock prices rose and fell at historic levels. For only the third time in its history the S&P 500 registered 4 days where prices moved by over 4% in the same week. It was also the first time the Dow Jones Industrial Average moved more than 400 points in either direction for four consecutive days. The markets gyrations were driven primarily by Standard & Poor's downgrade of the United States creditworthiness and Europe's accelerating debt crisis.

Gold traded as high as \$1,800 an ounce, but closed at \$1,740.20 following a 22% increase in margin requirements to trade gold futures contracts. Oil fell to \$85.38 a barrel as concerns about an economic recession led to speculation that demand will be falling in the months ahead.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11,444.61	11,269.02	-175.59	-1.53%	-2.66%
Nasdaq	2,531.41	2,507.98	-23.43	-0.93%	-5.46%
S&P 500	1,199.38	1,178.81	-20.57	-1.72%	-6.27%
Russell 2000	714.63	697.50	-17.13	-2.40%	-10.99%

DAILY DEVELOPMENTS

MONDAY

The stock market fell sharply on Monday following S&P's downgrade of long-term United States government debt last weekend. The Dow Jones industrial average fell 634 points, or 5.6 percent, and Standard & Poor's 500 stock index dropped 6.7 percent. The exchange processed a record 390 million orders in the first hour of trading on the New York Stock

Exchange, a new record. By the end of the day, 18 billion shares changed hands, the most active day in a year. 10 year yields fell on United States Treasuries to 2.32 percent, from 2.56 percent despite the downgrade, suggesting that investors were more concerned about the ongoing debt crisis in Europe, the risk of a double dip recession and the government's inability to function properly and address the problem.

TUESDAY

The Federal Reserve pledged on Tuesday to keep its key interest rate at its record low of nearly zero through the middle of 2013. It's the first time the Fed has pegged its "exceptionally low" rates to a specific date. The Fed had previously said only that it would keep its key rate at record lows for "an extended period". In its statement the Fed said that it expects "a somewhat slower pace of recovery over coming quarters." It also said that temporary factors, such as the high price of gasoline this spring and Japan's March earthquake and tsunami, were only part of the reason for the weaker economy.

WEDNESDAY

The U.S. Trade deficit increased by 4.4% during July to about \$53 billion, the Commerce Department said Wednesday. Exports slid 2.3% to about \$171 billion, marking the first decline in two consecutive months since early 2009. (The trade deficit increased to \$50.8 billion in June.) The drop in exports was broad-based. Exports of industrial materials fell 4.8%, while food exports dropped 7.3% and computer exports dropped 9.8%. Somewhat lower oil prices helped drive the decline in imports. A drop in demand from U.S. consumers and businesses was among factors pushing imports down 0.8% to \$224 billion.

THURSDAY

Initial unemployment claims in the U.S. dropped below 400,000 last week for the first time in four months, the Labor Department said Thursday. Applications for unemployment benefits dropped by 7,000 to a seasonally adjusted 395,000. New applications had been above 400,000 for the previous 17 weeks. The four-week average, a less-volatile figure, fell to 405,000, its sixth straight decline.

FRIDAY

Overall retail sales in July jumped 0.5%, following a 0.3% improvement in June, the Commerce Department announced on Friday. It was the biggest increase in 4 months. The consensus forecast had called for a 0.6 percent gain. Auto sales led the way, rising 0.4%, building on a 0.7% increase in June. In a separate report, the Commerce Department said businesses added to their inventories for an 18th straight month in June. But the 0.3% rise in business inventories was the smallest gain in 13 months. Total business sales rose 0.4% after a 0.1% drop in May.

We suspect these increases may be short-lived, unfortunately, as high unemployment rates and the stock market's volatility are likely to cause consumers and business owners alike to be more cautious about spending in the months ahead. Support for our prediction can be found in the Thomson Reuters/University of Michigan preliminary index of consumer

sentiment for August that was also released on Friday. It plummeted to 54.9, which amounts to the lowest reading since May 1980. Economists surveyed by Bloomberg on average had expected a much smaller decline, to 62. At the end of June the closely watched index stood at 63.

QUOTE OF THE WEEK

“If there were a quadruple A [bond rating], I would give it to the U.S. We will always pay the bonds — the only way we won’t pay is if the printing press strips a gear.”

Famed private investor Warren E. Buffet

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

Andrew J. Willms, J.D. LL.M.
Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
awillms@estatecounselors.com
www.estatecounselors.com

Important Disclosures: The information and statistics in this e-mail have been obtained from sources we believe to be reliable but are not guaranteed by us to be accurate or complete. Any and all earnings, projections, and estimates assume certain conditions and industry developments, which are subject to change. The opinions stated are those of Estate Counselors, LLC, but are not intended to be a substitute for personal investment advice. Services provided by Estate Counselors, LLC do not constitute legal services and are not being provided by Willms, S.C. law firm. Communications between Estate Counselors, LLC and its clients are therefore not covered by the attorney-client privilege, and as a result may be discoverable by third parties. All such communications are, however, covered by Estate Counselor, LLC’s privacy policy, a copy of which is available on request. *Please let us know in a reply to this e-mail if you have received this message in error, or would like to discontinue receiving it.* Thank you.