

The Market Week in Review

For the Week Ending August 27, 2011

THE MARKETS

The stock market ended a four-week losing streak as trading and sentiment was dominated by Federal Reserve Chairman Ben Bernanke's speech in Jackson Hole on Friday. Although his speech didn't unveil any immediate easing measures from the U.S. central bank, Bernanke said The Federal Open Market Committee "will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate to promote a stronger economic recovery in a context of price stability". A better-than-expected durable goods orders report on Wednesday was also welcomed by investors.

Gold prices fell sharply mid week, but rallied somewhat on Friday, ending the week at a tad over \$1,800 an ounce. Oil closed the week above \$85 a barrel as a double dip recession became less likely and Hurricane Irene threatened refineries on the east coast.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	10,817.65	11,284.54	466.89	4.32%	-2.53%
Nasdaq	2,341.84	2,479.85	138.01	5.89%	-6.52%
S&P 500	1,123.53	1,176.80	53.27	4.74%	-6.43%
Russell 2000	651.69	691.79	40.10	6.15%	-11.72%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The Census Bureau announced on Tuesday that new home sales fell 0.07%, a seasonally adjusted annualized rate of 298,00 below the rate of 310,000 that a panel of housing market analysts at Briefing.com had forecast. In addition the original estimate of the number of new homes sold in June was revised downward to 300,000. However July sales rose 6.8% from the 279,000 that were sold in July 2010. The median price for a new home sold in July was \$222,000, down about 5.5% from last June but up 8.8% from a year ago. The inventory of new homes at the end of July was 165,000, which represents a 6.6 month supply at the current sales rate.

WEDNESDAY

The Commerce Department reported on Wednesday that durable goods orders rose 4 percent in July, the biggest increase since March. Much of the increase was attributable to the volatile transportation sector, as demand for autos and auto parts jumped 11.5 percent, and Aircraft orders increased by 43.4 percent, after falling 24 percent in June. Excluding transportation goods, orders rose a modest 0.7%.

THURSDAY

Initial jobless claims rose 5,000 in the August 20th week to an adjusted total of 417,000, but in its announcement the Labor Department indicated that at least 8,500 claims were related to a strike by Verizon workers. That strike has since been resolved. . The adjusted total for the August 13th week was increased by 4,000 higher to 412,000. The four-week average increased by 4,000 to 407,500, which is a 7,000 improvement from a month-ago. Continuing claims for the August 13th week fell 80,000 to 3.641 million for the lowest level since September 2008 when the turmoil in the financial markets began.

FRIDAY

Gross domestic product rose at an annual rate of 1 percent, the Commerce Department said on Friday, as restocking by businesses and growth in exports proved less strong than initially estimated. The rate of growth between April and June was reduced from the government's first estimate of 1.3 percent. The nation's economy grew only 0.7 percent in the first half of the year. Looking past the highlight numbers however suggests that the economy's prospects for the 3rd quarter may have improved, and the possibility of a double dip recession may have lessened. Specifically, the report said that consumer spending improved and businesses business spending was also more robust than initially believed.

The Thomson Reuters/University of Michigan consumer sentiment index fell to 55.7 this month from 63.7 in July. It was slightly better than August's preliminary reading of 54.9, which had been the lowest level since May 1980.

QUOTE OF THE WEEK

"The quality of economic policy-making in the United States will heavily influence the nation's long-term prospects. ... The country would be well served by a better process for making fiscal decisions."

Federal Reserve Chairman Ben Bernanke at the Federal Reserve Bank of Kansas City's Economic Policy Symposium at Jackson Hole, Wyoming on Friday.

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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