

**The Market Week in Review**  
For the Week Ending December 24, 2011

For the first time in what seems to have been ages, developments in Europe did not monopolize the direction of the stock market this past week. Rather, positive economic data suggesting unemployment is declining and the housing market and consumer sentiment are improving were enough to offset news that the nation's gross domestic product was not growing as fast as originally expected. By the time the dust settled at the end of trading on Friday, a "Santa Claus rally" began to take shape as all 4 indexes ended the week solidly in the black.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11,866.39	12,294.00	427.61	3.60%	6.19%
Nasdaq	2,555.33	2,618.64	63.31	2.48%	-1.29%
S&P 500	1,219.66	1,265.33	45.67	3.74%	0.61%
Russell 2000	722.05	747.98	25.93	3.59%	-4.55%

**DAILY DEVELOPMENTS**

*MONDAY*

Data released by the U.S. Labor Department indicates that unemployment rates fell in 43 states in November, reflecting a modest improvement in the nation's job market. Only three states reported increases in their unemployment rates last month, while four states showed no change. Nationally, the unemployment rate dropped in November to 8.6 percent, the lowest since March 2009. Employers added a net total of 120,000 jobs. According to the report, Wisconsin lost 14,600 payroll jobs during the month, but the state's unemployment rate dropped from 7.7 percent in October to 7.3 percent in November. The apparent contradiction can be at least partially explained by the fact that the payroll numbers and unemployment rate come from different surveys, so they don't always match.

*TUESDAY*

The Commerce Department announced on Tuesday that housing starts in November surged up by 9.3 percent, which was much better than market expectations before the announcement. The November upturn follows a 2.9 percent rise in October. Unfortunately, the number of housing starts in the Midwest declined 18.2 percent last month. The nationwide gain in November was driven by a 25.3 percent increase in new apartment construction, following a 15.2 percent decrease in October. The single-family component improved a much more modest 2.3 percent after a 3.6 percent rise the month before.

### *WEDNESDAY*

Sales of previously owned homes rose 12 percent in November from its level a year ago, the National Association of Realtors reported Wednesday. It was the second monthly gain in a row. The inventory of unsold homes fell to a seven months' supply, down from more than nine months in July. Prices also firmed up a bit, with the median sales price of an existing home rising 2.1 percent to \$164,200. The National Association of Realtors also announced a sweeping revision to the way it conducts its calculations, which has sharply lowered five years of existing home sales data.

### *THURSDAY*

Figures released by the Labor Department on Thursday indicate that new claims for unemployment benefits for the week ending December 17<sup>th</sup> fell to their lowest level since April, 2008. Specifically unemployment claims fell by 4,000 to 364,000. The four-week average fell by 8,000 to 380,250 and has declined for three straight weeks.

The Thomson Reuters/University of Michigan final index of consumer sentiment climbed to 69.9 from 64.1 at the end of November. That's better than the median estimate in a Bloomberg News survey, which had predicted a reading of 68. Economists point to a drop in unemployment and lower gasoline prices as the primary reasons for the rise in consumer confidence. However, by historical standards the index still remains at very low levels.

The U.S. Commerce Department announced Thursday that it was lowering its the third-quarter gross domestic product ("GDP") estimate from 2.5 percent to 1.8 percent. In its original estimate last October the Department had predicted a gain of 2.5 percent. That original estimate was lowered to 2 percent in November.

### *FRIDAY*

The Commerce Department released two reports on Friday. The first indicated that consumer spending rose just 0.1 percent in November, which was considerably lower than 0.3 percent increase economists were predicting on average. When adjusted for inflation, spending rose 0.2 percent last month, which is very similar to what occurred in October.

In the second report report, the Department said new orders for durable goods jumped a healthy 3.8 percent after being flat in October. However, excluding transportation, orders rose 0.3 percent after rising 1.5 percent in October. And non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending, fell 1.2 percent last month after declining 0.9 percent in October.

### **MARKET TIDBITS**

The national consumer's saving rate dipped to 3.5 percent last month, down slightly from the 3.6 percent rate in October. Total consumer savings slowed to an annual rate of \$400.9 billion from \$419.1 billion the prior month.

I hope you have found the information in this week's market summary helpful. I'd also like to take this opportunity to wish you a wonderful holiday season, and a healthy, happy and prosperous New Year.

Merry Christmas everyone!

*Andy*

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