

The Market Week in Review

For the Week Ending February 12, 2011

THE MARKETS

It was yet another good week for the equity markets as all 4 of the major indexes moved higher. Stock prices were bolstered by a number of factors, including an improved outlook by business owners, better than expected employment numbers, a decline in the U.S. trade deficit (after accounting for the increase in the price of oil) and the resignation of Egyptian President Hosni Mubarak. However, not all the news is positive. Areas of concern include increased worries about inflation and the impact rising mortgage interest rates will have on the already depressed housing market.

Oil prices settled at a two-month low of \$85.58 a barrel, a weekly decline of 3.9%. Gold closed at \$1,359.90 for a gain this week of 0.8%.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,092.15	12,273.26	181.11	1.50%	6.01%
Nasdaq	2,769.30	2,809.44	40.14	1.45%	5.90%
S&P 500	1,310.87	1,329.15	18.28	1.39%	5.69%
Russell 2000	800.11	822.11	22.00	2.75%	4.91%

Congress has received three alternative proposals from the Obama administration for phasing out or eliminating the U.S. government's role in home-mortgage financing. The proposals would significantly reduce Fannie Mae and Freddie Mac support of the home-mortgage market.

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The National Federation of Independent Business reported on Tuesday that confidence among U.S. small companies rose in January to the highest level in three years, as the outlook for sales and profits improved. Its small business owners optimism index rose to 94.1, the highest since the recession began in December 2007. "The economy is crawling forward," William Dunkelberg, the group's chief economist, said in a statement. The improvement in optimism "has not been translated into solid plans to hire or spend."

The People's Bank of China said on Saturday it would increase its one-year benchmark lending and deposit interest rates by 25 basis points, the second rate hike in just over two months. China's government has been steadily raising interest rates since last fall in an effort to curb borrowing and tame inflation.

WEDNESDAY

Fed Chairman Ben Bernanke gave an update on his views on the economic outlook and monetary policy on Wednesday. The Chairman stated that the economic recovery that began in the middle of 2009 appears to have strengthened in the past few months, although the unemployment rate remains unacceptably high. Mr. Bernanke stated that while the country's economic recovery growth slowed significantly last spring, more recently, there is increased evidence that a self-sustaining recovery in consumer and business spending may be taking hold. He added that improving household and business confidence, accommodative monetary policy, and more-supportive financial conditions, including an apparently increasing willingness of banks to lend, seem likely to result in a more rapid pace of economic recovery in 2011 than last year.

THURSDAY

The Labor Department reported on Thursday that initial jobless claims for the week ended January 29th. Initial claims came in at 383,000, which is only the second time since July 2008 that initial claims came in below 400,000. On average, forecasters had been expecting 410,000 new claims for unemployment benefits. However, many feel that the rough weather may have held down the number of people filing claims.

Also on Thursday, the Commerce Department announced that wholesale inventories for December increased by 1%. An increase in wholesale inventories can be a sign of weakening demand, but in the present case most commentators are of the opinion that distributors are building inventory in order to keep up with improving retail sales.

FRIDAY

Thomson Reuters/University of Michigan Consumer Confidence Index Rose in February to 75.1, its highest level since last June. The Current Conditions Index, which reflects Americans' perceptions of their financial situation and whether they consider it a good time to buy big-ticket items like cars, rose to 86.8, the highest it's been since January 2008, and up from January's reading of 81.8. The survey indicates that consumer's perceptions of the economy and job market is positive for the first time in seven years, which suggests that consumer spending will continue to increase.

Also released on Friday was a report from the Commerce Department which showed the nation's trade deficit grew in December for the second month in a row, as the cost of imported oil climbed to its highest level in two years. More specifically, the U.S. trade deficit increased by 5.9 percent to \$40.6 billion. However, if petroleum imports are

deducted, the trade gap shrank to \$15.3 billion, which is the smallest trade deficit since March, 2010.

QUOTE OF THE WEEK

“Everything should be made as simple as possible, but not simpler.”

Albert Einstein

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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