The Market Week in Review
For the Week February 5, 2011

THE MARKETS

The equity markets had their best weekly performance of the new year in spite of the political unrest in the Middle East and a most confusing employment report Friday. Through the week, protests continued to escalate in Egypt, Algeria, Syria and Jordan while the U.S. economy saw a lower than expected 36,000 job increase in non-farm payrolls while the overall unemployment rate dropped to 9.00% from the previous 9.4%.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11,823.70	12,092.15	268.45	2.27%	4.63%
Nasdaq	2,686.89	2,769.30	82.41	3.07%	4.39%
S&P 500	1,276.34	1,310.87	34.53	2.71%	4.23%
Russell 2000	775.40	800.11	24.71	3.19%	2.10%

Solid growth in consumer-spending and rising factory output in the Midwest suggest that the U.S. economy will continue its recovery through the end of 2011. Industrial production in the Midwest rose to its highest level in more than 22 years, and bank balance sheets are strengthening as well.

DAILY DEVELOPMENTS

MONDAY
The Commerce Department reported on Monday that personal income for December increased 0.4%, which is slightly less than the 0.5% increase that economists had been forecasting before the announcement. Personal spending during December increased 0.7%, which is the sixth straight monthly increase. However, core personal consumption expenditures were flat and individual savings rates were lower.

TUESDAY
The Institute for Supply Management announced on Tuesday that its manufacturing index rose to 60.8 percent in January. The index stood at 58.5 percent at the end of December. It marked the 18th consecutive month of expansion in the manufacturing sector, which continues to play a leading role in the economic recovery. Fourteen of 18 industrial sectors grew in January, with petroleum, primary metals and apparel leading the way.

December construction spending declined 2.5% from November, according to a report issued by the Commerce Department on Wednesday. Analysts had expected overall construction spending to increase 0.2 percent in December. In addition, November outlays were revised downward 0.2% breaking a string of consecutive increases. For the year, construction spending dropped 10.3% in 2010, to $814.18 billion. This amounts to the lowest level since 2000. It was also the fifth annual decline. Some commentators are suggesting that the December snowstorms contributed to the sharp decline in construction spending last month. Hopefully January's numbers will shed some more light on the situation.

WEDNESDAY
There were no major economic reports issued on Wednesday.

THURSDAY
The Labor Department announced on Thursday that labor productivity in the non-farm business sector increased at a 2.6% annual rate during the fourth quarter of 2010. A 2.2% increase had been widely expected. The increase was helped by a 0.6% drop in unit labor costs, which had actually been expected to increase 0.1%. The data suggests that businesses are still keeping a close eye on labor costs, which in turn is resulting in productivity gains. It also could mean that the nation's high unemployment level will not be resolved easily.

The Institute for Supply Management's Non-Manufacturing Index rose in January to 59.4, which was up from 57.1 in December. A reading above 50 indicates that the services sector of the economy (which is far larger than the manufacturing sector) is growing at an increasing pace. This is the fifth straight month of acceleration in the overall index and makes it the 14th straight month that it has been over 50. The consensus expectation prior to the release was for the index to remain unchanged from the prior month.

FRIDAY
The Bureau of Labor Statistics released the highly watched monthly Employment Situation report at 7:30 CST. Economic forecasters had been expecting the report to show an increase of 150,000 new jobs created. The report showed a disappointing increase of just 36,000 new jobs. The below estimates number was attributed to severe weather throughout the U.S. Economists believe a minimum of 200,000 new potential workers join the work force each month. In other words, for the unemployment to fall, in excess of 200,000 new jobs must be created each month. Yet the unemployment rate dropped to 9.00% from 9.40% due to the incorporation of newly completed census data into the calculations. The new census data indicated a smaller total number of employed and unemployed workers currently in the overall workforce.

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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