

## The Market Week in Review

For the Week Ending January 22, 2011

### THE MARKETS

The stock market had mixed results this week. Overall, stocks suffered its first weekly loss since November, but the Dow Jones Industrial Average managed to scratch out a small gain. We are in the middle of earnings season, and so far, the news on corporate profits has been mostly good. General Electric, an earnings season bellwether, reported a profit jump of 51%. The economic news released this week suggests that the nation's economy may be building some momentum.

Commodities fared worse than stocks this week, as China's Central Bank announced it would be raising interest rates in an effort to slow down the rate at which its economy is growing. Oil prices closed at \$89.11 on Friday, a loss of 2.7% for the week, in response to news that oil stockpiles are unusually high. Gold closed at \$1341.00, which is down 1.4% for the week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11787.38	11871.84	84.46	0.7	2.5
Nasdaq	2755.30	2689.54	-65.76	-2.4	1.4
S&P 500	1293.24	1283.35	-9.89	-0.8	2.0
Russell 2000	807.57	773.18	-34.39	-4.3	-1.3

### DAILY DEVELOPMENTS

#### MONDAY

There were no major announcements on Monday as a result of the Dr. Martin Luther King, Jr. holiday. However it's worth noting that last Friday it was announced that the University of Michigan Consumer Sentiment Index fell from 74.5 in December to 72.7 in January. Economists had been predicting a rise to 76.0. The fall may have been partly attributable to a rise in gasoline prices in December. Last month gasoline prices jumped 8.5%. The index remains well below its 86.1 average over the last ten years.

#### TUESDAY

On Tuesday the National Association of Homebuilders said its monthly builder confidence index remained stuck at a relatively low level for the third straight month. Its market remained at 16, which is regarded as a depressed level. (The trade group regards a reading of 50 or higher as an indication of builder optimism about the new-home market.) The report indicated that there was no change in current sales or in expectations of future sales,

although there was a small improvement in buyer traffic. The National Association of Home Builders warns that construction financing remains extremely limited. The report also indicated that potential buyers are experiencing great difficulties in obtaining accurate property appraisals, which is making it even more difficult to obtain financing.

#### *WEDNESDAY*

Housing starts in December declined 4.3 percent in December to a seasonally adjusted annual rate of 529,000 units according to a report issued on Wednesday by the Commerce Department. The drop in December comes on the heels of a 3.8 percent improvement in November. The December annualized pace of 0.529 million units fell short of the median forecast for 0.550 million units and is down 8.2 percent on a year-ago basis. "There is little evidence that conditions warrant a significant and sustained rise in home building," Paul Dales, U.S. economist with Capital Economics, wrote in a research note Wednesday.

#### *THURSDAY*

The Labor Department reported on Thursday that new applications for unemployment benefits dropped to 404,000 last week, which amounts to 37,000 fewer new claims being filed than the prior week. The drop was the biggest weekly decline in nearly a year and is well below the 425,000 new initial claims that had been widely expected. The four-week moving average also fell, to 411,750.

The National Association of Realtors announced on Thursday that U.S. existing home sales soared 12.3 percent in December to an annual rate of 5.28 million units. Economists had only expected a rise to 4.85 million. However because a significant share of the increased sales were distressed sales, questions remain about the rebound's sustainability.

Lastly, the Conference Board said Thursday that its index of leading economic indicators rose 1 percent last month. A .06% rise had been widely forecasted. The December increase follows a 1.1 percent increase in November. The biggest contributor to the rise was a jump in December building permits. Other positive factors were the recent rally in stock prices, the decline in new people filing for unemployment benefits referred to above and improved consumer confidence.

#### *FRIDAY*

There were no major economic announcements on Friday.

## QUOTE FOR THE WEEK

This week we are adding a new feature to our Weekly Market Commentary. Each week we will try to include a quote from a historical figure, prominent scholar, academic study or recent news story that we hope will add to your knowledge of investments and investment strategy. Feel free to let us know what you think about this addition.

***“A rising tide lifts all boats. It’s not till the tide goes out that you realize who’s swimming naked.”***

Warren 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](mailto: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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