The Market Week in Review
For the Week Ending July 16, 2011

THE MARKETS

The stock market headed lower this week as concerns intensified about Europe's fiscal situation. Also worrying investors was the growing possibility that the federal government might fail to raise the debt limit in time to avoid a default, as both Moody's and Standard & Poor's warned that the United States bond rating could be downgraded if it isn't able to reach an agreement soon. Things could have been worse however as a steep rally heading into Friday's close allowed investors to make up some lost ground.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,657.20	12,479.73	-177.47	-1.40%	7.79%
Nasdaq	2,859.81	2,789.80	-70.01	-2.45%	5.16%
S&P 500	1,343.80	1,316.14	-27.66	-2.06%	4.65%
Russell 2000	852.57	828.78	-23.79	-2.79%	5.76%

The chasm that separates Republicans and Democrats in budget talks seems tough to bridge: one party insists on tackling the federal debt problem without "job-killing tax hikes." The other says any "balanced" approach should include some tax increases, not just spending cuts.

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The Commerce Department said Tuesday that the U.S. trade deficit increased 15.1 percent in May to $50.2 billion. That's the largest imbalance since October 2008. Market forecasters had been predicting a deficit of 44.5 billion. The larger than expected increase is being blamed in part on higher oil prices, which have retreated somewhat since May. Overall, exports declined 0.5 percent to $174.9 billion, while imports rose 2.6 percent to $225.1 billion. The deficit is running at an annual rate of $563.2 billion, which is 12.6 percent higher than the annual rate in 2010.

WEDNESDAY
There were no major economic announcements on Wednesday.

THURSDAY
The Labor Department reported Thursday that initial claims for state unemployment benefits fell 22,000 to 405,000 last week. New claims were the lowest since mid-April and better than economists' expectations for 415,000. However claims remain above the 400,000 mark, which is usually associated with a stable labor market. Also, continuing claims jumped to 372,000 which amount to an increase of 15,000.

Total retail sales rose 0.1 percent as a rebound in receipts from auto dealers offset the biggest drop in gasoline receipts in a year, the Commerce Department said on Thursday, after dipping 0.1 percent in May. Economists had expected sales to slip 0.1 percent. Sales excluding gasoline rebounded 0.3 percent after declining 0.2 percent in May. Excluding auto sales, purchases were little changed, the weakest performance since July 2010.

A Bureau of Labor Statistics reported Thursday that wholesale prices fell 0.4 percent in June, after a rise of 0.2 percent in May. The decline last month was the steepest since February of last year and exceeded analysts' forecasts of a 0.2 percent drop. Wholesale prices were dragged down by a 2.8% drop in energy prices. By comparison, food costs rose 0.6%. When the volatile food and energy prices are extracted from the overall index, the core Producer Price Index rose 0.3 percent in June after a 0.2 percent increase in May.

FRIDAY
The Federal Reserve reported Friday that industrial production rose by 0.2 percent in June after edging down by a revised 0.1 percent in May. Economists had expected production to climb by 0.2 percent compared to the 0.1 percent increase originally reported for the previous month. The modest increase was largely due to a 0 .9 percent increase in utilities output, which came after a 2.0 percent drop in May. Manufacturing output was unchanged in June compared to a downwardly revised 0.1 percent increase in May. The lack of growth in manufacturing was partly due to a 2.0 percent drop in the production of motor vehicles and parts.

The Thomson Reuters/University of Michigan's index of consumer sentiment slipped from 71.5 in June to 63.8 in July, which is the lowest it has been since March 2009. Economists had expected the index to climb to 72.5.

Labor Department data also released on Friday showed the Consumer Price Index fell 0.2% in June, which amounts to the largest drop since June 2010. CPI rose 0.2% in May. Core CPI, which does not include the volatile food and energy sectors, rose 0.3% after a similar gain in May. Economists had been expecting a 0.2% increase.

QUOTE OF THE WEEK

> *"The possibility remains that the recent weakness may prove more persistent than expected and that deflationary risk might reemerge, implying additional policy support."*

Federal Reserve Chairman Ben Bernanke during testimony before the House Financial Services Committee on Wednesday.

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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