

The Market Week in Review

For the Week Ending June 25, 2011

THE MARKETS

The equity markets struggled this week, in response to growing concerns that the economic recovery is floundering and that a double dip recession is still a distinct possibility. Even news that Greece has agreed to a five-year austerity plan with the European Union and the International Monetary Fund was not enough to encourage investors. The plan will be put to vote by Greece's parliament on Tuesday.

Crude-oil prices plunged nearly 5% on Thursday after the White House and the International Energy Agency announced their intention to sell oil from U.S. and European strategic reserves. Prices for delivery in one month dropped \$4.39 a barrel Thursday, settling on the New York Mercantile Exchange at \$91.02. Gold edged up on Friday from losses of as much as 2 percent on Thursday. Bullion is down around 1 percent for the week, it's steepest since losing more than 4 percent during the commodity rout in early May.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,004.36	11,934.58	-69.78	-0.58%	3.08%
Nasdaq	2,616.48	2,652.89	36.41	1.39%	0.00%
S&P 500	1,271.50	1,268.45	-3.05	-0.24%	0.86%
Russell 2000	781.75	797.79	16.04	2.05%	1.80%

Risks of a worldwide economic slowdown are growing according to the International Monetary Fund, as reported in its World Economic Outlook. The primary culprits are high public debt and diminishing growth in the United States and Europe. "If these risks materialize, they will reverberate across the rest of the world, possibly seriously impairing funding conditions for banks and corporations in advanced economies and undercutting capital flows to emerging economies." according to the report.

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The National Association of Realtors reported on Tuesday that sales of existing homes fell 3.8 percent in May, to a seasonally adjusted annual rate of 4.81 million units. Although certainly not good news, Wall Street had expected the decline to be even worse. Foreclosures and short sales, where the home is sold for less than the value of the

mortgage, accounted for 31 percent of sales in May, down from 37 percent in April. Single-family home sales declined 3.2 percent while sales of existing condominiums fell 8.1 percent month-to-month.

WEDNESDAY

The latest FOMC Policy Statement was released on Wednesday. It indicated that members unanimously voted to keep the fed funds target between 0.00% to 0.25% and that exceptionally low levels are expected for an extended period of time. It was also stated that the Fed still plans to complete its purchase of \$600 billion of longer-term Treasuries by the end of this month. In his press conference, Fed Chairman Bernanke's stated that the Fed now believes 2011 GDP will range from 2.7% to 2.9%, down from the range of 3.1% to 3.3% that was announced in April. Additionally, unemployment for 2011 is now expected to range from 8.6% to 8.9%, up from the range of 8.4% to 8.7%. Core PCE inflation for 2011 is now expected to range from 1.5% to 1.8%, up from the range of 1.3% to 1.6% that had been originally forecasted.

THURSDAY

Data released on Thursday by the Labor Department showed the number of Americans filing new claims for unemployment benefits rose last week, suggesting little improvement in the labor market this month after hiring stumbled badly in May. More specifically, initial claims for unemployment insurance rose by 9,000 last week to 429,000. This was worse than the expected level of 413,000. This is the 11th straight week we have been above the 400,000 level. The four week average was also significantly above the psychologically important 400,000, coming in at 426,250.

FRIDAY

Manufacturers' orders for the long-lasting goods rose 1.9% to a seasonally adjusted \$195.57 billion, the Commerce Department said Friday. May's figures were better than analysts' projections, which had estimated a 1.5% gain. New durables orders excluding transportation also improved, increasing by 0.6% after a 0.4% decline in April. The report on durables showed a broad-based increase in orders, with gains being reported for primary metals, electrical equipment, machinery and computers.

The U.S.'s gross domestic product (or "GDP") grew at an inflation-adjusted annual rate of 1.9% in the first three months of 2011, the Commerce Department said Friday. That compares favorably with the 1.8% estimate the Commerce Department reported on May 26th, but is still down significantly from the 3.1% GDP rise seen in the final quarter of 2010. Economists had forecast first-quarter GDP would be revised up to a 2% growth rate.

QUOTE FOR THE WEEK

"[A]bsolutely safe sovereign debts no longer exist."

International Monetary Fund Statement released Thursday at the annual two-day meeting on managing public debt, held in Seoul, Korea.

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

Andrew J. Willms, J.D. LL.M.
Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
awillms@estatecounselors.com
www.estatecounselors.com

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