

The Market Week in Review

For the week ending May 14, 2011

THE MARKETS

It was a relatively quiet week last week on Wall Street as all 4 of the major indexes were largely unchanged. Economic reports were generally consistent with or slightly worse than what economists were forecasting, but the discrepancies were not great enough to cause investors a great deal of concern. This week's economic reports include housing starts, existing home sales, industrial production and the Philadelphia Fed Survey.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,638.74	12,595.75	-42.99	-0.34%	8.79%
Nasdaq	2,827.56	2,828.47	0.91	0.03%	6.62%
S&P 500	1,340.20	1,337.77	-2.43	-0.18%	6.37%
Russell 2000	833.34	835.67	2.33	0.28%	6.64%

In a speech to the Economic Club of New York this past week U.S. House Speaker John Boehner demanded trillions of dollars in spending cuts in exchange for raising the government's debt limit. "It's true that allowing America to default would be irresponsible but it would be more irresponsible to raise the debt ceiling without simultaneously taking dramatic steps to reduce spending and reform the budget process," Boehner said.

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The Labor Department announced Tuesday that U.S. import prices increased 2.2 percent in April, after rising 2.6 percent the previous month. Higher fuel and nonfuel prices contributed to the advances. Prices for U.S. exports increased 1.1 percent in April following a 1.5 percent advance the previous month. It was the first time import prices increased by more than two percent in consecutive months since June 2008.

WEDNESDAY

The Commerce Department reported Wednesday that the U.S. trade deficit jumped 6.0% to \$48.18 billion in March, bringing an abrupt end to the short lived improvement in the nation's trade deficit. At the same time the amount of the trade deficit reported for February was revised to \$45.44 billion. The March deficit exceeded the \$47.5 billion shortfall economists surveyed by Dow Jones Newswires had expected. A surge in oil prices resulted in the cost of imported oil to increase to \$27.67 billion from \$21.13 billion

the month before. The U.S. paid \$35.68 billion for all types of energy-related imports, up from \$27.24 billion in February. That was enough to reverse the modest improvement in the trade gap that had been seen lately. On the plus side, U.S. exports grew 4.6% to a new high of \$172.67 billion from \$165.00 billion the previous month. Imports increased 4.9% to \$220.85 billion from \$210.44 billion in February.

THURSDAY

The Labor Department reported on Thursday that initial claims for unemployment benefits fell 44,000 to 434,000 for the week ending May 7th while continuing claims for the week ending April 30th held fairly flat at 375,000. The reported numbers were slightly greater than pre-announcement forecasts, but not bad enough to cause investors a great deal of concern.

FRIDAY

The consumer price index in April increased 0.4 percent, following a 0.5 percent hike in March. April's gain matched expectations. Excluding food and energy, the CPI gained 0.2 percent, up from a 0.1 percent rise in March. Energy continued its upward surge - a 2.2 percent boost after jumping 3.5 percent in March. Gasoline jumped 3.3 percent, following a 5.6 percent surge in March. Food prices increased 0.4 percent in April, following a 0.8 percent gain the prior month. Year on year, overall CPI inflation accelerated to 3.1 (seasonally adjusted) from 2.7 percent in March.

The University of Michigan's consumer price index for April was also released on Friday. The index rose by 2-1/2 points to 72.4, for its best reading in two months. The increase suggests that consumers are slightly more confident that the nation's economy will continue to improve in the months ahead, which could translate into greater consumer spending.

QUOTE FOR THE WEEK

"The safe way to double your money is to fold it over once and put it in your pocket." ~Frank Hubbard

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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